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Research title:

Strategic international risk variables influencing South Africa's grade 9 construction firms' entry mode choices into other African countries.

A final research report submitted in fulfilment of part of the requirements for the Degree of MSc (Building) Project Management in Construction

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DECLARATION

I hereby declare that this Research Report is my own work. It is being submitted to the Degree of MSc (Building) Project Management in Construction to the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination to any other University.

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(Signature of candidate)

18th Day of September 2017

ABSTRACT:

Introduction:

When firms expand into foreign markets, selecting the right entry mode strategy can be challenging and there are many variables that should be taken into consideration. There are various theories and constructs in the study of entry mode choice and risk is one of the common theories. It is therefore imperative for managers to take strategic international risks into consideration when deciding on an entry mode strategy. This study investigates the influence of these risk variables on the selection of entry mode strategies by managers within South Africa's grade 9 construction firms. Research on entry mode choice dates back as far as the 1980's and over the years many theories have been developed, thus a deductive research approach has been adopted for this study.

Research aim:

The aim of this study is to investigate the influence of strategic international risk variables on the preferred entry mode strategy, within the context of South Africa's construction industry focusing on grade 9 firms registered with the CIDB (Construction Industry Development Board).

Research questions:

What is the general profile of managers in South Africa's grade 9 construction firms involved with the entry mode strategy decision?

Which entry mode strategy is preferred by managers in South Africa's grade 9 construction firms, when venturing into other construction markets on the African continent?

and, what influence do strategic international risk variables have on the preferred entry mode choice by managers in South Africa's grade 9 construction firms?

Research methodology:

The purpose of this study was to investigate the influence of strategic international risks on the preferred entry mode choice. The study is founded on a direct realist philosophy. The survey research strategy was used and a questionnaire was sent out to collect the required data and the mono-method research choice was applied to collect and analyse the data. Furthermore, a cross-sectional time horizon has been applied in this study. The qualitative data collection method was used together with the qualitative content analysis method of analysis.

Research procedure:

To answer the above questions, Grade 9 contractors registered with the Construction Industry Development Board (CIDB) operating in South Africa's construction industry were identified and contacted to collect the required data for the study. According to the CIDB, Grade 9 contractors are contractors that have the financial and work capability to execute work worth R130 million or more and hence this group of contractors consists of all the large construction firms in South Africa. Managers within these firms were contacted telephonically and then sent the questionnaire for them to complete accordingly.

Findings:

The data collected indicated that various senior managers were involved in the entry mode decision making process. The study found that the respondents' understanding of risk was limited to specific events or situations, which could leave them vulnerable to unidentified risks. Moreover, the findings of the study were that market complexity risks had the most influence on the selection of an entry mode strategy and that equity entry mode strategies were preferred over non-equity modes of entry.

Conclusion:

The study concludes that managers within South Africa's grade 9 construction firms prefer equity entry mode strategies when venturing into other construction markets on the African continent, and that market demand/potential, political and competitive rivalry risks have the most influence on the type of strategy selected. Lastly, the study concludes with recommendations for future similar studies.

KEY WORDS: Africa; Construction; Entry mode choice; Risk; Strategy

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List of abbreviations:

BOP	Build Operate Transfer
CIDB	Construction Industry Development Board
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IJV	International Joint Venture
IPR	Intellectual Property Rights
JV	Joint Venture
KPMG	Klynveld Peat Marwick Goerdeler
LA	Local Agreement
M&A	Merges and Acquisitions
PMBOK	Project Management Body Of Knowledge
PPP	Public-Private Partnership
RO	Representative Office
R&D	Research and Development
SV	Sole Venture
WOS	Wholly Owned Subsidiary

CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1. Introduction and structure of the report

This chapter will serve as an introduction to the study and will also provide a background on entry mode choice and strategic international risks. In addition, this chapter will discuss in detail the research problem, research aim, research objectives and highlight the research questions.

The structure of the report will be such that it will progressively provide the reader with a background to the study, a detailed literature review, data collection methodology, present the results and analysis, discuss the results, and then draw a conclusion accordingly.

1.2. Background

The construction industry consists of a broad range of activities from materials production to design, finance, construction, operation, maintenance and possibly demolition (Li, Jin, Li, Liu and Skitmore, 2013). More so, the international construction market is large, expanding, fragmented, regionally fluctuating, heterogeneous, risky, and highly competitive (Li et al., 2013). Even after the 2008 economic crisis Li et al. (2013) highlights that the world's largest international contractors are still obtaining huge revenue.

The increasing levels of globalization have necessitated many construction firms to explore business expansion into foreign markets as a strategic business opportunity. In addition, as firms grow from infancy to maturity the advantages of operating solely in their home country decreases (Klein et al., 2014). Expanding into new markets comes with many complex strategic considerations such as increased competition in the international community, availability of resources both within the construction firm and in the host country, as well as cultural differences and industry differences. All these factors will need to be taken into consideration when firms decide to expand into foreign markets. This is because firms are no longer competing with local firms alone, but rather they are competing with all the firms around the world operating in the same industry. In addition to the challenges that come with competing against global firms, the decision to expand into foreign markets forces managers to make tough choices such as the country to invest in, when to invest and most importantly, how to enter the new market and hence it necessitates managers within these firms to formulate an entry mode strategy. An entry mode strategy can be defined as a firm's internal arrangement through which the firm can access overseas market/s when opportunities avail or a decision to expand operation into international market/s is made (Odediran and Windapo, 2015).

However, entering new markets presents numerous risks and thus various strategic international risks need to be taken into consideration when making such a decision. The risks firms face when entering international markets can be divided into two broad categories, namely operational and strategic risks. Therefore, strategic international risks can be defined as the strategic risks that firms face when expanding into international markets.

South Africa's construction firms have faced and are still facing challenges with making such strategic choices (Klein et al., 2014). Therefore, as a result of unabated globalization scholars are constantly undertaking studies on entry mode strategies, especially for construction firms due to the construction industry's multiplier effect (Giang and Pheng, 2011).

Research on entry mode strategies dates to the period between the late 1980's and early 1990's (Canabal and White, 2008). This was a time when interest among scholars and academics began to take-off concerning entry mode and internationalization strategies (e.g. Dunning, 1988; Poter, 1990). Since then, research on various entry mode strategies across various industries has seen an exponential increase, alongside the increasing trends towards globalization around the world (e.g., Li et al., 2013; Laufs and Schwens, 2014).

However, in comparison to entry mode research conducted in other industries, very little research has been done on entry mode strategies in the construction industry. Canabal and White (2008) identified that, between 1980 and 2006, most of the research conducted on entry mode strategies was mainly in the manufacturing and service industries. Moreover, the construction industry was not even listed as one of the top ten industries researched by scholars on entry mode strategies. More recently, Klein et al. (2014) conducted a study to better understand the decisions supporting the relocation of firms into foreign markets, as it applies to emerging markets like South Africa.

Therefore, the context of this study on entry mode strategies will be centred upon South Africa's construction industry. It has been established that infrastructure development is critical for a country's economic growth and therefore attracts Foreign Direct Investment (FDI) into a country (e.g. Giang and Pheng, 2011). In addition to the benefit of Foreign Direct Investment (FDI) through construction companies operating and establishing themselves in foreign markets, access to skills, knowledge and technologies is another reason for construction companies to enter and operate in foreign markets.

However, operating in foreign markets poses additional risks to the firm, such as exposing the firm's proprietary knowledge, skills, or technology to actual or potential competitors, which is referred to as dissemination risk (Ahmed et al., 2002). There are several types of entry mode strategies which a firm can employ when entering foreign markets, each with its own pros and cons. Therefore, there are several considerations which firms should consider when deciding on how to enter foreign markets. In addition, there are several risks involved with operating in the global community, in foreign markets, and firms should understand these risks and the influence which they have on the choice of entry mode strategy. As identified by Canabal and white (2008), research on entry mode strategies in the construction industry is low in comparison to research conducted on other industries, hence the focus of the study to be conducted will seek to understand entry mode choice in relation to the construction industry.

1.3. Research problem

There are various entry mode strategies available to managers when venturing into international markets and selecting the right entry mode strategy is challenging enough on its own. In addition, there are various strategic international risks to be considered in order to make an informed choice. Therefore, the problem which this study seeks to address is the challenge faced by managers within South Africa's construction industry, with regards to making an informed strategic decision on the type of entry mode strategy to be employed and the influence of strategic international risks thereof.

With the increasing effects of globalization, the world is fast becoming one global community. This phenomenon puts pressure on many construction firms that still operate solely in their local environment to expand their business into other countries to remain competitive (Klein et al., 2014). Li et al. (2013) say that strategic decisions of this nature are usually made with poor information, limited analysis, a tight schedule and by ignoring risks.

1.4. Research questions

Premised on the research problem articulated above, the following research questions arose:

1. *What is the general profile of managers in South Africa's grade 9 construction firms involved with the entry mode strategy decision?*
2. *Which entry mode strategy is most preferred by managers in South Africa's grade 9 construction firms, when venturing into other construction markets on the African continent?*
3. *What influence do strategic international risk variables have on the preferred entry mode choice by managers in South Africa's grade 9 construction firms?*

1.5. Research aim

The aim of the study is to investigate the influence of strategic international risk variables on the preferred entry mode strategy by managers in grade 9 construction firms, within the context of South Africa's construction industry.

1.6. Research objectives

To answer the questions raised in this study, the objectives of the study are as follows:

1. To determine the general profile of managers in South Africa's grade 9 construction firms involved with the entry mode strategy decision.
2. To determine which entry mode strategy is most preferred by managers in South Africa's grade 9 construction firms when venturing into other construction markets on the African continent;
3. To determine the influence of strategic international risk variables on the preferred entry mode strategy, by managers in South Africa's grade 9 construction firms.

1.7. Methodology

The study was conducted using a realist philosophical approach, a deductive research approach, survey research strategy, mono method choice, cross sectional time horizon and a qualitative data collection and analysis techniques. The methodology was applied in order to meet the objectives of the study.

1.8. Assumptions

The main assumption made in this study is that large (grade 9) construction firms in south Africa are forced to expand into other construction markets due to the restrictions within the South African economy as well as to gain access to opportunities presented by a rapidly growing African market. Thus, leading to a push and pull effect. The push comes from the restrictions of the domestic market as the limited size of the market (slow GDP growth and low per capita GDP), the volatile nature of demand and the necessity of risk aversion strategies considering the history of South Africa (Verhoef, 2016). This is one-way South Africa's construction firms are pushed to take their operations into other countries outside of South Africa, at the same time there is a pull effect caused by the numerous opportunities presented by the African construction market.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The sections of the literature review will discuss each topic progressively. The first section will focus on international/African construction market to present a context to the study. This will then be followed-up by a robust discussion on strategy, which leads into a discussion on the third section of this study which focuses on entry mode strategy, which is one of two core themes of this study. The fourth section of the literature review focuses on risk, which leads into the fifth and final discussion on strategic international risks, which is the second core theme of this study. The sections on international/African construction market, strategy and risk are sub-themes included with the aim to support the main themes of the study being; entry mode strategy and strategic international risks.

The following literature review has been conducted to identify theories and ideas on entry mode strategy and international strategic risks; theories of which have been tested through the collection and analysis of data. This approach is called deductive and is subsequently the approach to this study. The purpose of the literature review was to identify theories and constructs developed by previous scholars in order to test them against the data collected within the South African context.

The literature review was intended to identify literature which is in line with the objectives and research questions of the study. The purpose of this literature review is (1) to survey the current state of knowledge, (2) to identify key authors, articles, theories, and finings in the research area and (3) to identify gaps in the research area (Bhattacherjee, 2012).

2.2 Expansion into foreign markets

Expanding into foreign a country is one of the most critical business strategies made by a firm to export their capabilities and exploit the opportunities in the international market (Mat Isa, Mohd, Jaapar, and Nasir, 2016). When making these decisions, firms will need to consider the entry location, entry mode and entry timing (Mat Isa et al., 2016). Thus, the focus of this literature review will be to firstly identify the various types of entry mode strategies from existing literature, and secondly to identify the strategic international risk variables related to entry mode strategies. Scholars (e.g., Babatunde and Wang, 2015; Teixeira and Grande, 2012; Ulrich, Hollensen and Boyd, 2014) have already identified the various types of entry mode strategies and others such as Odediran (2016), Odediran and Windapo (2015), Brouthers (1995), and Miller (1992) have identified international risk variables related to entry mode strategy. By means of comparing, contrasting, and critically reviewing existing literature on the various types of entry mode strategies in relation to South Africa's construction industry, the literature review explores past research on this topic. Furthermore, the literature review will also seek to understand the preferred entry mode choice by managers within South Africa's construction firms when venturing into other construction markets on the African continent.

In addition, a critical literature review of past research conducted by (e.g. Odediran (2016), Odediran and Windapo's (2015), Mat Isa et al. (2016), Babatunde and Wang (2015), Brouthers (1995), Klein, Wocke and Hughes (2014), Li, Jin, Li, Liu and Skitmore, (2013)) and others has been undertaken in order to unpack the various types of strategic international risk variables influencing entry mode choice. A thorough comparison and analysis of the findings from various scholars has been conducted to extract the most value from previous studies; to aid this study.

Furthermore, in order to put all the other sections into perspective the study will first focus on the international construction market. Then the study will examine the various types of entry mode strategies available, the conditions under which they are preferred and the various strategic international risks, as identified in past studies.

2.3 International/ African construction market

The international construction market has an oligopolistic structure, wherein there are a few very large global construction players who account for a large fraction of the market, while the rest of the market is shared by numerous medium- and small-sized contractors (Chen, 2005). The African construction market is no different, it too has an oligopolistic structure with a few international contractors from US, Europe and Asia dominating the largest share of the markets (Reina and Tulacz, 2010) while the participation of African-based contractors within African construction markets is considerably low (Reina and Tulacz, 2010). The Klynveld Peat Marwick Goerdeler (KPMG) Global Construction Survey 2013 confirms that much of the interest in the continent is coming from companies headquartered in Europe and the Middle East. The reasons for the highly oligopolistic nature of the African construction market are not known (Odediran and Windapo, 2015).

Moreover, to understand the construction industry, one needs to be able to define it, and Awodele (2012) suggested in his study that the construction industry consists of more than the construction of buildings, instead he suggested that construction activities involve the production and management of the living and working environment of the entire population. Awodele's (2012) definition was premised on a previous study conducted by Ruddock (2007) wherein he illustrated both the broad and narrow definitions of the construction industry, see figure 2.1:

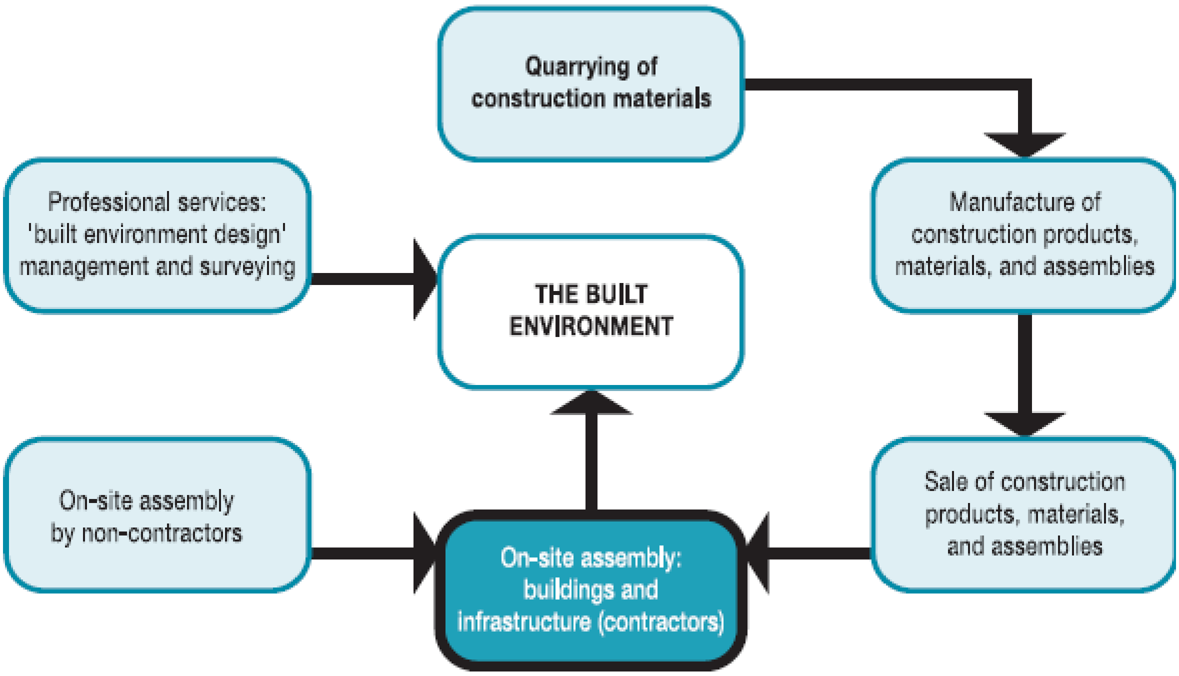

Figure 2.1: Broad and narrow definitions Figure

Source: The Pearce Report, 2003 adapted from Ruddock, 2007

Figure 2.1 suggests that the broad definition of the construction industry includes professional services, on-site assembly by non-contractors, quarrying of materials and the entire process leading to the construction works on site. Whereas the narrow definition focuses only on the construction works on site. In addition, the term “international construction” was defined by Mawhinney (2001) as "... where one company, resident in one country, performs work in another country..." This definition has been adopted in many studies related to the international construction industry. Previously, Arditi and Gutierrez (1991) used the term “foreign construction market” referring to those projects executed by contractors outside of their own home countries (Wahyudi et al., 2015). Thus, when discussing the international construction industry, one should consider the entire process involved in construction, of one firm based in one country and operating on another country.

The African construction market presents many opportunities with the rapid expansion in infrastructure seen over the past decade, the growing interest of non-African companies in partaking in this immense growth, as well as the evident positive outlook for construction in many African states, the opportunities posed by the continent cannot be ignored (KPMG:2013). Thus, the focus of this study will be centred around South Africa’s grade 9 construction firms venturing into other construction markets on the African continent in order to access the many opportunities presented by the African construction market. The KPMG Global Construction Survey 2013 found that, amongst the 165 senior leaders in the construction and engineering industry polled, almost half are planning to move into new geographies and that the African continent is the most popular prospect.

Therefore, this section provides a context for the study, as being the African construction market, and thus the following sub-sections of the literature review should be read in the context of the African construction market.

2.4 Strategy

In order to develop a frame of reference and a common understanding of basic concepts, one needs to define the term strategy, this is important for the study since there is no single, concise, and universally accepted definition of strategy (Chen, 2005). In Chen's (2005) study he observed various scholars' definitions of strategy and what stood out in his research was that there are various angles through which one can define strategy. Scholars such as Hofer & Schendel (1978) used a resource based approach to define strategy, while others such as Vasconcellos (1999) went back to the origins of strategy as a concept within military warfare. In addition, strategy can be defined differently based on the context for example; in business, a strategy can be defined as management's action plan for running the business, conducting operations and answers' the question "how" (Hough et al., 2011).

However, in the construction context, Warszawski (1996) proposed that strategies are long range plans, methods, and approaches that a company adopts to reach its goals in a competitive environment. Moreover, he highlighted in his study that the definition most preferred by the construction industry representatives is the one by Johnson and Scholes (2002), that strategy is "the direction and scope of an organization over the long term, which achieves advantages for the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectation". In addition, Hunger and Wheelen 2001 indicated that there are three levels of strategy namely; corporate strategy, business strategy and functional strategy. A corporate strategy relays how a firm organizes its various businesses and product lines, and thus based on this analogy, an entry mode strategy can be classified as a corporate strategy since it gives the firm's overall direction in terms of its general attitude toward growth and the management of its various businesses and product lines (Hunger and Wheelen 2001).

Chen (2005) highlighted the importance of strategic planning for construction firms by pointing out the that construction firms operate in an environment where they are required to provide increasingly complex projects within a highly turbulent and competitive business environment.

Premised on the above, one can conclude that strategy is a broad topic and there are various definitions of strategy, depending on the context. Therefore, in this study strategy will be viewed from the context of entry mode choice. Odediran (2016) defined entry mode research as an organizational-based arrangement made by a construction company to enter and explore opportunities in international markets. Thus, entry mode strategy will be discussed further in the following section.

2.5 Entry mode strategy

This present study presents the argument that the framework developed by Klein's et al. (2014) does not address the issues relating to the factors that influence the decision of how firms enter foreign markets. Instead, Klein et al. (2014) focuses more on why firms take the decision to enter foreign markets. In addition to the firm's natural growth, Klein et al. (2014) identified four reasons why firms would expand into foreign markets; (1) to gain access to natural resources in foreign markets, (2) to gain access to the market in the foreign country (3) to enjoy the benefits of economies of scale and (4) strategically positioning themselves for long-term strategic benefits i.e. competitive advantage, first mover advantage etc.

Odediran and Windapo (2015) defined entry mode strategy as being an international market system or a firm's internal arrangement through which the firm can access overseas market/s when opportunities are available or a decision to expand operation into international market/s is made. Li et al. (2013) defined entry mode strategy as being an institutional arrangement for organizing and conducting international business transactions, which supports the definition by Odediran and Windapo (2015). Moreover, Li et al. (2013) go on further to explain that entry mode exists in a variety of forms and that it is usually regarded as a form of system arrangement, a way of transferring products, technology, workforce, management experience and other resources into other countries.

Entry mode choice is a very broad topic which spans across many industries with a significant impact on the future of any organization (Teixeira and Grande, 2012). As an organization grows, various factors in their home country gradually become barriers to their growth, thereby leading them to expand or diversify their business into foreign markets (Klein, Wocke and Hughes, 2014). Thus, how firms choose to enter foreign markets becomes of critical importance as that will determine their success or failure thereof. Furthermore, selecting an appropriate entry mode strategy involves a wide range of considerations which include contractual transfers, joint ventures, and wholly owned subsidiaries, and they can further be classified as either external/environmental or internal/firm factors which all should be considered (Li et al. 2013).

In addition to the above considerations required to be undertaken by managers when preparing to enter a foreign market, scholars have sought to classify the various types of entry modes into broad categories. Chen (2005) classified entry modes as either permanent entry (joint venture company, sole venture company, branch office/company, and representative office) or mobile entry (joint venture project, sole venture project, and

BOT/equity project) based on the investment risk exposure, resource commitment, and flexibility. While on the other hand Odediran (2016) classified entry mode strategies as either dependent or independent, and as either temporary or permanent (Brouthers, 1995; Chen and Messner, 2011); hierarchical, quasi-hierarchical and quasi-market (Williamson, 1985); wholly-owned, acquisitive and franchised (Treadgold, 1988); integrated, cooperative, and independent (Brouthers, 1995); and export, contractual and investment (Hill, Hwang & Kim, 1990; Root, 1994; Woodcock, Beamish & Makino, 1994). However, according to Babatunde and Wang (2015) entry mode strategies can be broadly categorised into equity-based or non-equity-based modes of entry, Teixeira and Grande (2012) previously highlighted this view. Furthermore, Teixeira and Grande (2012) elaborated that non-equity modes of entry include exports and contractual agreements, which can further be broken down into Licencing, franchising, turnkey projects, and R & D contracts. On the other hand, equity-based modes of entry include wholly owned subsidiaries and joint-ventures either by acquisition or greenfield investment (Teixeira and Grande, 2012).

Premised on the above discussion Babatunde and Wang (2015) presented the ensuing Table 2.1 summarising foreign entry mode strategies.

Table 2. 1: Foreign entry mode strategies

Entry Mode	Entry Mode Type	Entry Mode Sub-Type	Definition
Non-equity	Exports	Indirect	A domestic company's use of an intermediary in an international market to reach overseas' consumers.
		Direct	A domestic company's direct exporting to foreign markets or use of its own intermediaries to export.
		Strategic Alliance or cooperative	Two or more domestic companies work together to leverage each other's strengths to expand overseas.
	Contractual Agreements	Licensing	A domestic company, instead of selling its products or services, loans or gives its technology and access to patents or copyrights to an overseas' company for a fee or royalty.
		Franchising	Unlike licensing, this is operated under rigid terms, conditions of use, and restrictions to follow pertaining to the use of brand logo, products, and methods of operations.
		Contracts	These are major strategies to build large plants and often include training and development of key employees where skills are scarce.
Equity	Hierarchical	Joint or	JVs are partnership agreements between two or

Entry Mode	Entry Mode Type	Entry Mode Sub-Type	Definition
	or control	International Joint Ventures (JVs or IJVs)	more companies [domestic and/or international] to create a separate legal entity [to operate overseas] in which the partners share joint management and equity.
		Mergers and Acquisitions (M&A)	Premised on JVs, a merger is a combination of two companies pooling together their complementary assets in a consensual setting. An acquisition is when a company takes over another company for rapid growth.
		Wholly-owned subsidiary (WOS)	This is a kind of entry mode where a foreign company directly invests and owns an entire operation in the host country and takes full charge of capital, management, and other investments.

Source: Babatunde and Wang (2015)

Moreover, while Babatunde and Wang (2015) classified entry mode strategies into two broad categories, Odediran (2016) classified entry mode strategies into three categories namely (1) integrated and wholly-owned subsidiaries, (2) Cooperative mode and (3) independent entry modes summarised in Table 2.2.

Table 2. 2: Odediran (2016) foreign entry mode strategies

Entry mode	Entry mode type	Definition
Integrated and wholly—owned subsidiaries	Branch office and subsidiary company mode	These are entry modes where the company has full ownership and control of all resources and bears all costs to set up office for its foreign operations.
	Sole venture company or project mode	A sole venture (SV) is an arrangement where the ownership and control of resources in a firm or on a project in overseas markets are duties of a single firm.
Cooperative mode	Strategic alliance mode	An alliance or strategic alliance is a form of association where two or more companies come together to form a new business.

Entry mode	Entry mode type	Definition
	Local agent mode	Local agent (LA) mode is a contractual arrangement between an entrant and a local partner who stands as an agent providing information about local markets and assistance to the entrant
	Joint venture company or project mode	A joint venture (JV) is a strategic alliance/partnership between two or more firms (local and foreign) where risks, resources, ownership, control of operations, and opportunities in foreign markets, are shared
	Representative office mode	The representative office (RO) is an office opened by an entrant firm in a market abroad. To achieve the purpose and objectives of setting up such representative office in a particular foreign market, the firm engages local managerial and human resources for the day–day activities of the office
	Build-operate transfer (BOT)/equity project	A BOT project is a variant of a public–private partnership (PPP) initiative and is mostly an arrangement between private institutions and public clients, for the delivery of infrastructure development projects.
Independent	Licensing and franchising	Licensing is an entry mode used when firms lack the resources to form self-ownership in foreign markets, and when strong restrictions aimed at new entrants exist (Ballegooiljen, 2010). Franchising is an advanced mode of licensing that is based on long term contracts between two or more parties

Source: Odediran (2016)

The grouping of entry mode strategies by Odediran (2016) is like the way Babatunde and Wang (2015) grouped entry mode strategies. However, the grouping of entry mode strategies into equity and non-equity modes of entry is much broader than the grouping done by Odediran (2016), in that the Integrated and wholly—owned subsidiaries and Cooperative mode groups can be classified as equity modes of entry and the Independent group can be classified as non-equity. Thus, this study will adopt the broadly defined categories of equity and non-equity modes of entry as developed by previous scholars (i.e. Babatunde and Wang (2015); Teixeira and Grande, 2012).

The type of theoretical approach applied towards entry mode choice has an influence on which entry mode will be adopted (Teixeira and Grande, 2012), this is because the different types of theoretical approaches highlight different areas where firms are exposed, for example; cultural distance is the central determinant factor for entry mode choice with the location-based theory approach and from a transactional cost theory perspective entry costs and trade barriers are central to the ultimate entry mode strategy employed. Hence, choosing the type of strategy that will be used to enter foreign markets is a complex process. Based on past literature on the determinants of entry mode choice, the ensuing Table 2.3 identifies the conditions under which various entry modes are preferred.

Table 2. 3: Preference conditions for entry mode strategies

Type	Entry Mode Strategy	Preference conditions	Source
Equity	Wholly-owned subsidiary	• High potential industries and competition intensive markets • Attractive market • Politically risky environment • Risk of doing business in the host country is high • Poor protection of Intellectual Property Rights (IPR) • High uncertainty (institutional differences)	Teixeira and Grande, 2012
		• High control with a high level of resource commitment	Ulrich, Hollensen and

Type	Entry Mode Strategy	Preference conditions	Source
		• Manager's international experience and personnel resources	Boyd, 2014
		• High control of operations in foreign market required	Hollensen, Boyd, and Dyhr Ulrich, 2011
	Joint-venture or International Joint-ventures (JV or IJV)	• Considerable socio-cultural differences between home and host countries • Attractive market • Poorly protected Intellectual Property Rights (IPR) • High linguistic distance • High Research & Development (R&D) industries • To gain access to location-specific complimentary assets • Perceived governmental intervention is high	Teixeira and Grande, 2012
		• High control with a medium level of resource commitment • Manager's international experience and personnel resources	Ulrich, Hollensen and Boyd, 2014
		• Medium control of operations in foreign market required	Hollensen, Boyd, and Dyhr Ulrich, 2011
Non-equity	Exports	• Weak International Property Rights (IPR) policies • In the presence of arbitrary and pervasive corruption • High tariffs	Teixeira and Grande, 2012

Type	Entry Mode Strategy	Preference conditions	Source
		• Market imperfections	
		• Low control with a low level of resource commitment	Ulrich, Hollensen and Boyd, 2014
		• Low control of operations in foreign market required	Hollensen, Boyd, and Dyhr Ulrich, 2011
	Contractual agreements	• In the presence of arbitrary and pervasive corruption	Teixeira and Grande, 2012

Source: Author (developed from past literature)

Table 2.3 focuses on the conditions under which Wholly-owned subsidiaries, Joint-ventures, exports, and contractual agreement modes of entry are preferred.

Ulrich et al. (2014) and Li et al. (2013) identified various internal and external factors that have an influence on entry mode choice. In their research, they identified external factors as being cultural distance, political and economic risk in the country, market potential, fluctuations in demand, trade barriers, competition, and networks in the market; and internal factors as control, flexibility, risk, product complexity, international experience, economic and personnel resources. Each of the internal and external factors identified by Ulrich et al. (2014) has varied influence on the entry mode strategy. Within the context of this research and only focusing on the high-level impact (equity and non-equity) at this stage, the influence of each factor on entry mode choice is as follows:

Internal Factors:

Control

Non-equity entry modes require less control and if firms would like to have more control in the host country, then they would have to opt for more equity-based types of entry modes such as joint-ventures and wholly-owned subsidiaries. Moreover, control cannot be seen in isolation and both Teixeira and Grande (2012) and Ulrich et al. (2014) agree that control should be considered together with the desired level of resource commitment.

Flexibility

Under rapidly changing market conditions firms should be able to change or adapt their entry mode strategies accordingly. In order to adjust to the changing environment, firms should first be able to identify the change and then react by allocating the right resources as required (Ulrich et al., 2014). Therefore, this implies that non-equity modes of entry would allow a firm to be more flexible to change its entry mode strategy in rapidly changing markets as compared to equity-based type entry modes.

Risk

Non-equity entry modes such as exporting and contracting are considered to be low risk entry mode strategies because of the low level of resources committed (Ulrich et al., 2014). Therefore, when firms enter high risk countries the preferred mode of entry would be low risk to balance the firm's exposure. However, in total contrast, Teixeira and Grande (2012) argues that when firms perceive high risk environments they are more likely to enter through high control means such as wholly-owned subsidiaries.

Product complexity

Firms selling highly complex products, with high Research and Development (R&D) costs prefer to invest directly into foreign markets (Ulrich et al., 2014). Therefore, such firms would prefer to use equity-based entry mode strategies such as joint-ventures and wholly-owned subsidiaries.

International experience and Personnel resources

International experience plays a crucial role for firms entering foreign markets (Kuo et al., 2012). When a firm's decision makers have prior knowledge and experience about a particular market, it reduces the firm's entry mode uncertainties and costs, thereby increasing their competitiveness in the foreign market and ability to respond to changes in that market (Ulrich et al., 2014). Therefore, the higher the managers' international experience the more likely they would prefer high commitment entry mode strategies such as joint ventures and wholly-owned subsidiaries.

Economic resources

Firms with unstable financial resources are limited in the amount of risk they can absorb, and would therefore decide on low commitment, non-equity entry mode strategies (Ulrich et al., 2014).

External Factors:

Social and cultural distance

Within the context of entry mode research, cultural distance refers to the differences in norms and values between the host and home country (Ulrich et al.; 2014, Zang, 2011). In addition, both Ulrich et al. (2014) and Teixeira and Grande (2012) agree that high social and cultural distance leads to firm's choosing a low commitment, non-equity mode of entry.

Market potential

Ulrich et al. (2014) identified market potential as an important factor when it comes to entry mode choice, and that in markets with a high potential for growth firms would favour more high investment modes. Teixeira and Grande (2012) is more specific by saying that in markets with high potential, firms would prefer wholly-owned subsidiaries and joint-ventures (equity type of entry modes).

Demand fluctuations

Countries with high demand fluctuations create high risk environments. Since demand fluctuations are difficult to predict, Ulrich et al. (2014) were inconclusive with regards to the influence demand fluctuation may have on the type of entry mode strategy preferred. Instead, their view is that it cannot be seen in isolation and other factors should be taken into consideration when choosing an entry mode strategy (Ulrich et al., 2014).

Trade barriers

Trade barriers can be a deterrent for investment in foreign markets (Ulrich et al., 2014), this is mainly because when a firm expands into foreign markets it will seek to invest in markets with low trade barriers. Again, Ulrich et al. (2014) is inconclusive on the influence which trade barriers have on the various types of entry mode strategy.

Competition intensity

Ulrich et al. (2014) argues that in highly competitive markets small firms would rather opt for low investment entry modes because of the low levels of control in such markets. In contrast, Teixeira and Grande (2012) argues that firms would prefer wholly-owned subsidiaries in highly competitive markets.

Business networks

Business networks are an important factor that can help increase a firm's competitiveness in a foreign market. In addition, building strong business networks is more beneficial to firms seeking high equity-based type of investments in markets (Ulrich et al., 2014).

Political and economic risk

Favourable government and economic policies are an important factor in entry mode choice (Ulrich et al., 2014). In support of Ulrich et al. (2014), Teixeira and Grande (2012) adds that in markets with low political and economic risks firms would prefer wholly-owned (equity-based) entry mode strategies.

In the following section, the study will seek to define risk within the context of this study by exploring the definitions of risk presented by previous scholars.

2.6 Risk

Risk is an important part of this study because in broader terms the study focuses on the influence of risk on entry mode choice and hence, it is imperative to define risk in this study. Uncertainty stems from lacking experiences in foreign markets in terms of economic, political, cultural, and legal aspects (Axelsson and Olofsson, 2016). Awodele (2012) highlights that many scholars defined risk based on the perceptions of the required outcomes of their studies, but also that individuals define risk based on their context i.e. Risk to the economist focuses on the financial aspects, engineers relate risk to process disruption and cost, the military considers the risk of completing a task, police officers treat risk as threat to citizens, and employees may see risk as being dismissed from work.

Moreover, Awodele (2012) expressed the importance of defining risk and then referred to the PMBOK Guide (2004) which defined risk as an uncertain event or condition that, if it occurs, has a positive or a negative effect on at least one project objective, such as time cost, scope, or quality. Ahmed, Mohamad, Tan and Johnson (2002) defined a risk as being twofold (1) the uncertainty associated with exposure to a loss caused by some unpredictable event, and (2) variability in the possible outcomes of an event based on chance. The degree of risk depends on how accurately the results of a change event can be predicted; the more accurate the prediction, the lower the degree of risk (Jackson & Musselman, 1987). Odediran (2016) highlighted common words associated with risk as follows: hazards, perils, uncertainties, threats and vulnerabilities, dangers, and failures. However, Odediran (2016) defined risk as a probabilistic function that combines the likelihood of encountering a risk and its degree of impact on the ease of entry into the African Construction Market. In addition, the implications of risk are that it has the potential to cause a loss, and the losses can be financial, time, or drop in quality (Awodele, 2012).

Within the context of the African construction market Odediran (2016) identified that the following risks have a significant impact on the ease of entry into other markets on the African continent; political, social, economic, financial, procurement-related, design-related, and construction-related risks. However, Odediran (2016) summarised the overall significant risks in the African construction market as follow:

- Legal risks and legislative systems, changes in government, host government policies and public system/administrative procedures in the host country;

- Social instability and insecurity, discriminative acts, and lack of social infrastructure in the host country;
- Uncertainties surrounding payments, macro-economic variables (exchange rates, inflation, and taxes), profits repatriation and availability of credit facilities in the host country;
- Contractual procedure and procurement policies in the host country;
- Design team's obligations and competency, design scope and accuracy, and site conditions in overseas projects;
- Unforeseen natural occurrences, changes in scope of a project, project management and planning, site conditions and uncertainties surrounding payment and cash flow in overseas projects.

Odediran (2016) concluded by stating that political risks have a more significant influence on the decision by South African construction firms when entering the African construction market.

Therefore, within the context of this study risk will be defined as the possibility of an uncertain event or condition occurring, which could expose the firm to hazards, perils, threats, dangers, and failures and thus make the firm vulnerable to potential losses which could either be financial, time or quality. Thus, preventing or hampering the firm from fulfilling one or more of its project objectives

In the following section, the study will identify the international strategic risks related to entry mode research to be able to assess the variables that influence the decisions made by managers in South Africa's construction firms when venturing into other construction markets on the African continent.

2.7 Strategic international risk

Strategy and risk are key words central to this study; the relationship between strategy and risk is not mutually exclusive, instead firms' perceptions of risks have an influence on strategic decisions (Odediran and Windapo, 2015). Moreover, the same study conducted by Odediran and Windapo (2015) sought to investigate if there was a relationship between international risks and entry mode, and the findings from that study were that there are significant interactions between the international risks and entry decision into the African construction markets. Canabal and White (2008) identified that the theory of risk was the sixth most researched theory on entry mode strategy between 1980 and 2006. The theory of risk in entry mode research seeks to understand the influence that risk has on the choice of entry mode strategy.

There are several theories and constructs in entry mode research that seek to explain the reasons behind the entry mode choices that managers undertake on behalf of their firms when venturing into foreign markets. Theories such as Transaction cost, Ownership Location Internalization (OLI) and Culture/Cultural distance were the top three most researched theories and constructs between 1980 and 2006 (Canabal and White, 2008).

Earlier studies conducted by Miller (1992) not only defined risk, the studies also sought to understand the theory of risk in relation to entry mode strategy; by stating that the various elements of risk cannot be seen in isolation, but rather an integrated approach to risk is required. Thus, Miller (1992) introduced the framework called ‘Integrated international risk’ which can be related directly to the global nature of entry mode strategy. Miller (1992) categorised risks into three main categories including; (1) General environmental uncertainties, (2) industry uncertainties and (3) firm-specific uncertainties. Miller (1992) identified sub-categories to each of the three categories based on several other variables to be considered. However, Miller’s (1992) framework of integrated international risk was still not specific enough according to Ahmed et al. (2002). More accurately, international risk can be distinguished from the general definition of risk, and it can be defined as “the danger that firms face of limitations, restrictions, or even losses when engaging in international business” (Ahmed et al., 2002).

Moreover, Brouthers (1995) expanded further on Miller’s (1992) framework of international risk and examined the framework more specifically in relation to entry mode choice. Brouthers (1995) distilled Miller’s (1992) broad definition of international risk by further distinguishing between strategic and operational risks, which were contained within Miller’s (1992) definition. Brouthers (1995) further added that since entry mode selection is a strategic action, it would be prudent to separate the two types of risks and only focus on the strategic element of international risks. Therefore, this study will adopt Ahmed’s (2002) definition of International risk together with Brouthers’ (1995) approach to separate strategic risks from operational risks, and henceforth will refer to uncertainties in relation to entry mode choice as Strategic international risks.

Brouthers (1995) classified strategic international risk variables into two main categories, which reflect the two general dimensions of entry mode selection namely; (1) management control (control risk) and (2) resource commitment (market complexity risk); See Figure 2.2:

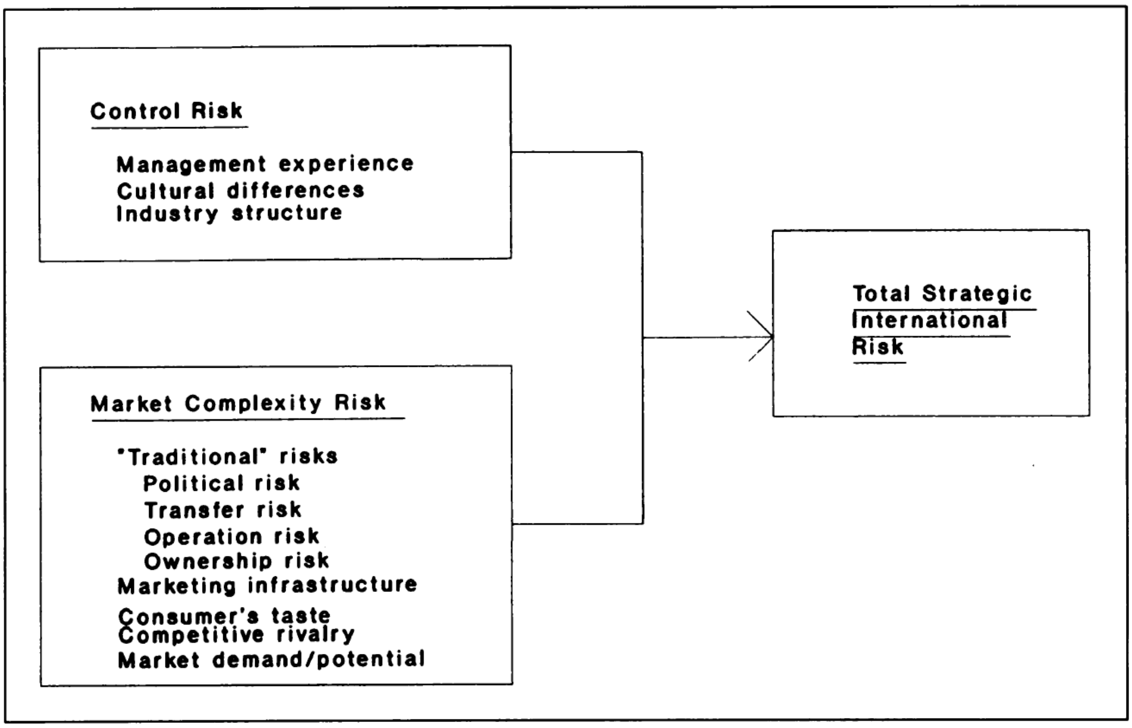

Figure 2. 1: Components of strategic international risks
Source: Brouthers (1995)

Brouthers (1995) described the various sub-elements of the above strategic international risks as follows;

Control risks:

Management experience – Management experience has a direct impact on risk perception and thus management's desire for control.

Cultural differences - The similarity or difference between the cultures of the consumers in the home market versus that in the target market, i.e. socio-cultural distance; market knowledge. Odediran and Windapo (2015) identified such risks as being, dispute with local construction labour, discrimination risk, ethical and religious strife, permit or license risk, construction planning issues, poor social relations in the local region, dishonesty of employees, bribery or fraud by local employees, policy changes, difference in laws or regulations and local protectionism (for local projects).

Industry structure - Industry structure affects a firm by restricting or allowing new entrants which may reduce or increase rivalry between firms.

Market complexity / Resource commitment risks:

Traditional risks -

- **Political risks** - Uncertainty of political stability are created during periods of political turmoil. In addition, Odediran and Windapo (2015) describes political risk as risks associated with political decisions, political events, government action(s) and political change/discontinuity in a country.

- **Transfer risks** - A government's ability to restrict the free flow of goods, services, and funds into and out of a particular country.

- **Operation risks** - Potential restriction in supplies, marketing, finance, or other business functions that may be imposed by a government or may be due to market conditions.

- **Ownership risks** - The uncertainty of government actions around actual control over the firm and its assets, created through nationalization, or other government restrictions.

Marketing infrastructure - The methods available within a market to sell, advertise, promote, and distribute a firm's product or service. Firms used to advertising, distributing and/or selling in a specific infrastructure may find another market's infrastructure too restrictive, unresponsive, or too unusual, thereby impacting a firm's competitive advantage.

Customers' taste - The uncertainty created by a variation in consumer tastes, not in shifts in consumer taste between the home and host countries that may change demand.

Competitive rivalry - If competitive rivalry is low, then the perception of market complexity risk is low. If rivalry is high, entering a market would be more difficult and management would perceive higher market complexity risks.

Market demand / Potential - In countries that have a high demand for a firm's product or service, a firm would perceive little risk on entry. In markets where future demand is expected to be low market complexity risks are perceived as high, since the firm must command a large share of a small market to be profitable.

Dissemination risk:

Dissemination risk - The risk of diffusing a firm's comparative advantages of a certain technology, marketing or management method/s to local competitor enterprises when entering foreign markets.

As per the discussions above, different theoretical approaches influence the choice of entry mode in different ways. Herein, the context of this study is based on the theoretical approach of risk, the above two dimensions of strategic international risk identified by Brouthers (1995) form the foundation for the decision on which type of entry mode firms ultimately.

A study conducted by Mat Isa et al, (2016) found that the following items influence the decisions taken on both equity and non-equity entry mode strategies:

Table 2. 4: Factors influencing market entry decisions

Market entry decisions	Factors influencing the decisions
Entry mode decision using Equity and Non-Equity modes	Firm's management of quality
	Management of risk attitudes
	Strong resources
	Experience in similar works
	Ability to assess market signals and opportunities
	Superior management and organizational dynamic capabilities
	Availability of partner/alliance
	Existence of strict time limitations

Source: Mat Isa et al. (2016)

Thus, the factors influencing entry mode strategy identified by Mat Isa et al. (2016) have not been described as strategic international risk variable however they support the strategic international risks identified by Brouthers (1995). The variables identified by Brouthers (1995) are still factors that influence decision making in relation to entry mode choice. Despite that fact that not all the items listed in Table 2.4 are reflected in figure 2.1, managers should still consider the strategic international risk variables identified by Brouthers (1995).

Managers making the strategic decisions should decide before hand how much control they would like to have over their operations in the foreign market; the lower the perceived risk the more control firms would like to have over their operations and the more resources they are willing to commit (Li et al., 2013). Brouthers (1995) also identifies management experience, which is one of the sub-categories under Control risks, as one of the important variables to be considered, because it has a significant influence on the desired level of control that firms would like to have over their operations in foreign markets. Brouthers (1995) concludes his research by summarising his findings that there is a high correlation between risk and the entry mode choice.

Furthermore, both Control and Market complexity risks should be considered together to gain a full understanding of total strategic international risk. Therefore, the perception of risk underpins the evaluation to the two dimensions, which in turn leads to decisions regarding the choice of an entry mode (Brouthers, 1995). Li et al. (2013) indicated that the two dimensions of entry mode choice identified by Brouthers (1995) together with the risk of dissemination are the three intrinsic properties of entry mode choice.

Moreover, Klein et al. (2014) supported entry mode research by discussing the preceding decisions which a firm undertakes before taking the decision to expand into foreign markets. Klein et al. (2014) determined that expanding into foreign markets is a natural process in a firm's growth and that as the impact of globalization increases and influences the home country, firms are faced with three options (1) Relocate, (2) Remain in the home country or (3) be acquired, and further explains that each path has different growth trajectories. In addition, the options presented by Klein et al. (2014) exclude the non-equity-based modes of entry.

Moreover, the perception of risk also plays an important role in influencing the decision to enter foreign construction markets. Odediran (2016) defines risk perception as the expression of an expert opinion on the probability that a particular risk will occur and the severity of risk. The perceptions of risk are influenced by people's beliefs, attitudes, judgements and feelings, educational backgrounds, practical experience, intellectual characteristics of the person judging, the risk, as well as amount and quality of the available information (Odediran, 2016). Through earlier studies Miller (1992), Brouthers (1995) and Li et al. (2013) determined that a firm's perception of risk has a major impact on the choice of entry mode strategy. In addition, the perceptions of risk will also vary from country to country, thus Klein et al. (2014) highlights that the decision of which country to enter is therefore very important.

The focus of this study will be from the perspective of managers of various firms within South Africa's construction industry and how their perceptions of strategic international risk influences their preferred entry mode strategy when venturing into other construction markets on the African continent.

2.8 Knowledge gap

Following the literature review, the following gap in the body of knowledge has been identified:

There is a lack of research on the influence of strategic international risk variables on the selection of an entry mode strategy, specifically related to South Africa's grade 9 construction firms entering other construction markets on the African continent.

CHAPTER 3

METHODOLOGY

This section will explain in detail the research methodology applied in this study by discussing the research method and design, philosophy, approach, strategy, choices, time horizon, data collection and analysis, research procedure, reliability and validity, ethical considerations and then provide a summary of the research methodology.

The approach to the research methodology in this study was in line with the concept of the research onion by Saunders (2009), and thus the layout of this section follows the layers of the research onion from the research philosophies through to the data collection and analysis in the centre, see figure 3.1:

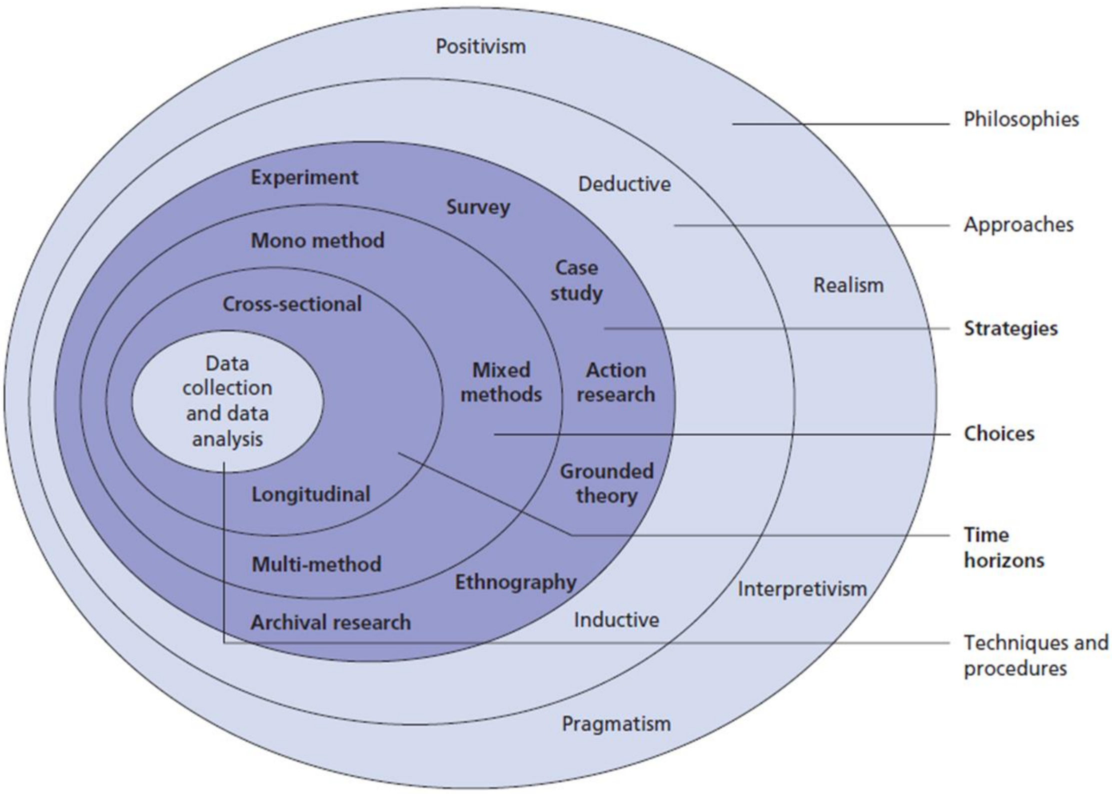

Figure 3.1: Research onion
Source: Saunders (2009)

3.1. Introduction

In this section, the study will outline the purpose of this study, by exploring the three types of research purposes, namely exploratory, descriptive, and explanatory. Furthermore, a research methodology consists of both research methods and research design and thus they will both be discussed accordingly.

3.1.1. Purpose

The classification of research purpose most often used in research methods literature is the threefold one of exploratory, descriptive, and explanatory (Saunders, 2009).

Exploratory research - An exploratory study is a valuable means of finding out 'what is happening; to seek new insights; to ask questions and to assess phenomena in a new light' (Robson, 2002).

Descriptive research – A descriptive research seeks to portray an accurate profile of persons, events, or situations' (Robson, 2002). Moreover, Saunders (2009) adds that it is necessary to have a clear picture of the phenomena on which you wish to collect data prior to the collection of the data.

Explanatory research – An explanatory research seeks to establish causal relationships between variables. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables (Saunders, 2009).

The purpose of this study was explanatory as it sought to investigate the influence of strategic international risks on the preferred entry mode choice, within the context of South Africa's construction industry.

3.1.2. Research design

Studies on entry mode choice began in the early 1980's (Canabal and White, 2008) when globalization started becoming an increasing reality for firms around the world. There are various theories and constructs in entry mode research, and Canabal and White (2008) identified them as follows; Transaction cost analysis, OLI/location factors, Culture/cultural distance, Control, Internationalization, Risk, Institutional theory, Resource-based view, Foreign direct investment, Organizational/ competitive capabilities, Knowledge/KBV, and Uncertainty, therefore from the various theories identified, this study focuses on the theory of risk in entry mode choice.

The questions raised in this study are centred around the entry mode strategy which is most preferred by managers in South Africa's grade 9 construction firms, when venturing into other construction markets on the African continent, and what influence strategic international risk variables have on the preferred entry mode choice. In order to answer the research questions a survey research strategy, mono method choices and a cross-sectional time horizon have been employed.

In the forthcoming sections, the study explains in detail the research strategies, choices and time horizon used to answer the research questions to meet the objectives.

3.1.3. Research method

To meet the objectives of this study, the questionnaire (appendix 1) was designed to align with the three objectives identified in the introduction as; to determine the general profile of managers in South Africa's grade 9 construction firms involved with the entry mode strategy decision, to determine the preferred entry mode strategy as well as to determine the influence of strategic international risk variable on the preferred mode of entry. The questionnaire was then distributed to managers within grade 9 construction firms registered with the CIDB, and it took a period of 3 months to contact the necessary managers in those firms respectively. Grade 9 contractors were selected because of their financial and work capabilities. Grade 9 contractors have the financial and work capability to execute work worth R130 million or more.

The layout of the questionnaire was divided into three sections; the first section had general questions which sought to gain a better understanding of the individuals answering the questions and to develop a general profile of the respondents. This section of the questionnaire included filter questions in order to separate firms which have ventured into other construction markets and those that have not. The second section of the questionnaire was designed to collect data related to the preferred entry mode choice and the last section of the questionnaire was designed to collect data related to the third objective of the study being the influence of strategic international risk variables on the preferred mode of entry. The questionnaire contained both open ended and close ended questions. The open questions were used in order gain an in-depth understanding of the respondents' definition/understanding of key concepts of the study; namely strategy and risk. Furthermore, the open-ended questions were also used to better understand the reasons why the respondents chose the particular entry mode strategy and/or the reasons why their respective firms have not ventured into other construction markets on the African continent. Moreover, rating questions were used to understand how much of influence the various strategic international risk variables had on the preferred entry mode choice. The total number of strategic international risk variables considered included the entire set of risks identified by Miller (1992), Brouthers (1995) and Li et al. (2013), which include the various sub-elements listed under the three types of risks namely; Control risks, Market complexity risks and Dissemination risks.

3.2. Research philosophy

The research philosophy of a study relates to the development of knowledge and the nature of that knowledge (Saunders, 2009). Three are two major research philosophies namely ontology and epistemology.

3.2.1. Ontology

Ontology is concerned with nature of reality. This raises questions of the assumptions researchers have about the way the world operates and the commitment held to specific views (Saunders, 2009). Furthermore, ontology has two aspects namely objectivism and subjectivism:

- **Objectivism** – This portrays the position that social entities exist in reality external to social actors concerned with their existence (Saunders, 2009) i.e. an objectivist's view of a team is that it exists in itself, beyond its team members (Greener, 2008).

- **Subjectivism** – This holds the view that social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence (Saunders, 2009).

3.2.2. Epistemology

Epistemology concerns what constitutes acceptable knowledge in a field of study (Saunders, 2009). Basically, questions are asked "to what extent do we know that something is true?", does a phenomenon have an objective existence or is it only existing in the minds of those who discuss it? (Greener, 2008).

Axiology – This is a branch of philosophy that studies judgements about value. Saunders (2009) says that the role that your own values play in all stages of the research process is of great importance if you wish your research results to be credible. Heron (1996) argues that our values are the guiding reason of all human action and argues that researchers demonstrate axiological skill by being able to articulate their values as a basis for making judgements about what research they are conducting and how they go about doing it.

Pragmatism - Pragmatism argues that the most important determinant of the epistemology, ontology, and axiology you adopt is the research question – one may be more appropriate than the other for answering particular questions (Saunders, 2009).

Positivism - Positivists adopt the philosophical stance of the natural scientist (Saunders, 2009). Furthermore, they prefer 'working with an observable social reality and that the end product of such research can be law-like generalisations like those produced by the physical and natural scientists' (Remenyi et al., 1998). Another important component of the positivist approach to research is that the research is undertaken, as far as possible, in a value-free way (Saunders, 2009). The assumption is that ‘the researcher is independent of and neither affects nor is affected by the subject of the research’ (Remenyi et al., 1998). Lastly, it is largely said that the positivist researcher will be likely to use a highly-structured methodology to facilitate replication (Gill and Johnson, 2002).

Realism - The essence of realism is that what the senses show us as reality is the truth: that objects have an existence independent of the human mind (Saunder,2009). Realism is a branch of epistemology which is similar to positivism in that it assumes a scientific approach to the development of knowledge (Saunders, 2009). There are two types of realism positions; namely direct realism and critical realism:

- **Direct realism** - Says that what you see is what you get: what we experience through our senses portrays the world accurately (Saunders, 2009).
- **Critical realism** – Says that what we experience are sensations, the images of the things in the real world, not the things directly. Critical realists point out how often our senses deceive us (Saunders, 2009).

Interpretivism – Says that it is necessary for the researcher to understand differences between humans in our role as social actors, and thus emphasise the difference between conducting research among people rather than objects (Saunders, 2009). Crucial to the interpretivist philosophy is that the researcher should adopt an empathetic stance. An interpretivist researcher aims to see the world through the eyes of the people being studied, allowing them multiple perspectives of reality (Greener, 2008).

This study is founded on the realist philosophy, more specifically a direct realist philosophy. It took on a scientific approach, underpinned by the belief that there are entry mode strategies which have proven to be successful in the past, as identified by previous scholars and that these entry mode strategies are independent of the manager’s beliefs or knowledge and will thus work if applied in a similar manner by a manager of a different firm.

To provide credible data, the approach to the study was to use objective measures to better understand the relationship between entry mode strategies and strategic international risk variables within the context of South Africa’s construction industry. The study was based on existing research which is deemed to be true, can be generalized and will thus be applicable to the context of this study (Saunders, 2009). Existing studies were used to develop a frame of reference for the study. Hence, unlike an interpretivist philosophical approach wherein the researcher is subjective and considers the subject’s point of view, an objective approach was used to gather new knowledge and to avoid any influence on the data being collected. Through such an approach the researcher could verify truths established by previous scholars like Odediran (2016), Odediran and Windapo (2015), Brouthers (1995), Klein et al.

(2013), Babatunde and Wang (2015), Canabal and White (2008), Miller (1992) and many others cited in this study.

3.3. Research approach

There are two types of approaches that researchers can take towards data collection and analysis, its either deductive and inductive.

3.3.1. Deductive approach

When using a deductive approach, one will seek to use existing theory to shape the approach that they will adopt to the qualitative research process and to aspects of data analysis (Saunders, 2009). To devise a theoretical or descriptive framework you should identify the main variables, components, themes, and issues in your research project and the predicted or presumed relationships between them (Yin, 2003).

3.3.2. Inductive approach

An inductive approach starts by looking at the focus of research (the organization, business problem etc.) and through investigations by various research methods, aims to generate theory from the research (Greener, 2008). When using an inductive approach, one will seek to build-up a theory that is adequately grounded in the data collected (Saunders, 2009).

The approach to this study is deductive, so the theories developed by previous scholars were applied within the South African context either to approve or disapprove the theories, and hence formed the theoretical framework for this study.

3.4. Research strategy

The purpose of the research strategy is to enable the researcher to answer the research question/s and to meet the objectives of the study. The choice of research strategy should be guided by the researcher’s question(s) and objectives, the extent of existing knowledge, the amount of time and other resources available, as well as the researcher’s philosophical underpinnings (Saunders, 2009). There are seven forms of research strategies; namely experiment, survey, case study, action research, grounded theory, ethnography, and archival research.

Experiment - The purpose of an experiment is to study causal links; whether a change in one independent variable produces a change in another dependent variable (Hakim 2000).

Survey – The strategy is usually associated with the deductive approach and is most frequently used to answer who, what, where, how much and how many questions. The survey strategy is perceived as authoritative by people in general and is both comparatively easy to explain and to understand (Saunders, 2009).

Case study - A strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence (Robson, 2002). A case study is useful to gain a rich understanding of the context of the research and the processes being enacted (Morris and Wood 1991).

Action research - Action research differs from other research strategies because of its explicit focus on action. It consists of four common themes which emphasise and focus upon different areas (Saunders, 2009).

Grounded theory - According to Goulding (2002) a grounded theory strategy is particularly helpful for research to predict and explain behaviour, the emphasis being upon developing and building theory. Glaser and Strauss (1967) thought of it as the best example of the inductive approach.

Ethnography – This strategy seeks to describe and explain the social world the research subjects inhabit in the way in which they would describe and explain it. Ethnography is rooted firmly in the inductive approach (Saunders, 2009).

Archival research – This strategy makes use of administrative records and documents as the principal source of data. An archival research strategy allows research questions which focus upon the past and changes over time to be answered, be they exploratory, descriptive, or explanatory (Saunders, 2009).

Therefore, in order to answer the research question and to meet the objective of this study the research strategy applied in this study is the survey strategy. Using a questionnaire, the researcher sought to answer the questions what, when, where and why as per the research questions above. Through this strategy, the researcher could summarise and easily compare the data collected because the same information was requested from all the participants.

The survey strategy allowed for the collection of qualitative data to gain a deeper understanding of the influence of strategic international risks on the preferred entry mode strategy. In addition, this strategy was selected because it allowed the researcher more control over the research process, taking into consideration the time and costs constraints.

3.5. Research choice

There are various types of research choices, however the available research choices can be separated into two main groups; namely mono method and multiple methods. Saunders (2009) illustrated them as follows:

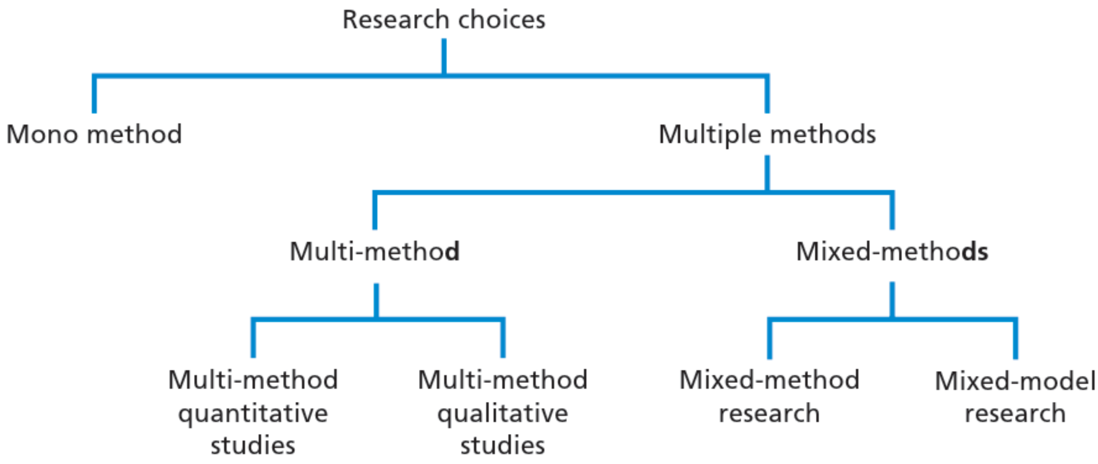

Figure 3.2: Sampling techniques
Source: Saunders (2009)

Mono method – Refers to using a single data collection technique and its corresponding data analysis procedure (Saunders, 2009).

Multiple methods – Refers to using more than one data collection techniques together with their data analysis procedures (Saunders, 2009). Multiple methods can be further categorised into multi-methods and mixed-methods, which can also be further categorised into sub-categories. Multiple methods are increasingly advocated within business and management research (Curran and Blackburn 2001), where a single research study may use quantitative and qualitative techniques and procedures in combination as well as use primary and secondary data (Saunders, 2009).

- **Multi-method** - Refers to those combinations where more than one data collection technique is used with associated analysis techniques, but this is restricted within either a quantitative or qualitative world view (Tashakkori and Teddlie 2003). When using multi-methods, one does not mix quantitative and qualitative techniques and procedures (Saunders, 2009).
    - **Multi-method quantitative study** – Refers to collection of quantitative data using, for example, both questionnaires and structured observation analysing these data using statistical (quantitative) procedures (Saunders, 2009).
    - **Multi-method qualitative study**- Refers to the collection of qualitative data using, for example, in-depth interviews and diary accounts and analyse these data using non-numerical (qualitative) procedures (Saunders, 2009).

- **Mixed methods** – Refers to the general term for when both quantitative and qualitative data collection techniques and analysis procedures are used. This method can be sub-divided into mixed method research and mixed model research.
    - **Mixed-method research** – Refers to the use of both quantitative and qualitative data collection techniques and analysis procedures either at the same time (parallel) or one after the other (sequential) but does not combine them (Saunders, 2009).
    - **Mixed-model research** – Refers to the combination of both quantitative and qualitative data collection techniques and analysis procedures as well as combining quantitative and qualitative approaches at other phases of the research such as research question generation (Saunders, 2009).

This study has applied the mono-method research choice, wherein a single data collection technique has been used to collect and analyse the data. Qualitative data was collected with the use of a questionnaire, and a qualitative content analysis technique has been applied to analyse the data accordingly.

3.6. Time horizon

There are two types of time horizons either Longitudinal or cross-sectional, and they can be defined as follows:

Longitudinal:

Longitudinal studies are studies which are carried out over a period in order to study change by observing people, events, or developments (Saunders, 2009). Adams and Schvaneveldt (1991) point out that in observing people or events over time the researcher can exercise a measure of control over variables being studied, provided that the research process does not affect them (Saunders, 2009). According to Bouma and Atkinson (1995) the basic question to be asked in longitudinal studies is 'Has there been any change over a period of time?'

Cross-sectional:

Saunders (2009) explains this time horizon as being the study of a particular phenomenon (or phenomena) at a particular time, in simple terms 'snap shot' in time. Easterby-Smith et al. (2008) and Robson (2002) further added that Cross-sectional studies often use the survey strategy. Saunders (2009) further adds that researchers may use the qualitative methods.

A cross-sectional time horizon has been applied for the three objectives in this study, therefore the study focused on South Africa's grade 9 construction firms which have expanded their business into other construction markets on the African continent between

2005 and 2016. Moreover, unlike the longitudinal time horizon, the study does not investigate the change or development over a period.

3.7. Data collection and analysis technique

There are two types of data collection techniques; namely qualitative and quantitative. The difference between the techniques are that the one is numeric (numbers) and the other is non-numeric (words) data (Saunders, 2009).

Quantitative – Is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data (Saunders, 2009).

Qualitative - Is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or use non-numerical data, thus qualitative can therefore refer to data other than words, such as pictures and video clips. (Saunders, 2009).

Both quantitative and qualitative data collection techniques and analysis procedures each have their own strengths and weaknesses (Smith 1981). Furthermore, Saunders (2009) adds that there is inevitably a relationship between the data collection technique you choose and the results you obtain.

The data collection technique used in this study is qualitative. This technique allowed the researcher to obtain an in-depth explanation on the influence of strategic international risks on the respondent's preferred entry mode strategy. Non-numerical data was collected through a questionnaire which requested respondents to provide detailed answers in words. A qualitative content analysis technique was used to analyse the data and it involved organising the raw data into sets of data, and then identifying themes from that set of data and then presenting arguments based on the identified themes.

Figure 3.3: From data to text
Source: Adapted from Henning (2004)

3.8. Population

Population:

Population refers to the full set of cases in a study, Saunders (2009) illustrated the difference between a population and sample as follows:

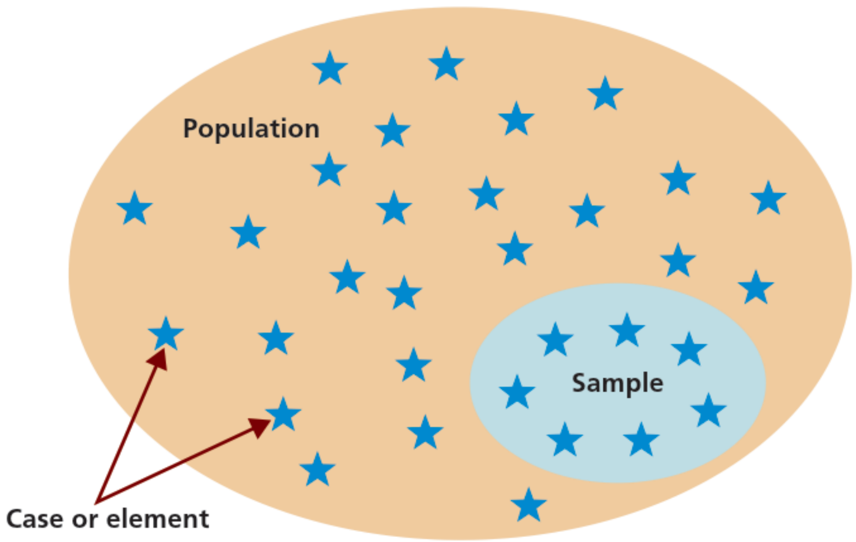

Figure 3.4: Population, sample, and individual cases
Source: Saunders (2009)

Sampling:

As illustrated in Figure 3.4, a representative portion of the population is called a sample. Saunders (2009) explains that sampling should be considered when:

- It would be impracticable for you to survey the entire population;
- Your budget constraints prevent you from surveying the entire population;
- Your time constraints prevent you from surveying the entire population;
- You have collected all the data but need the results quickly.

There are various sampling techniques that can be employed, all of which can be divided into two groups; namely probability sampling and non-probability sampling, Saunders (2009) as illustrated in figure 3.5:

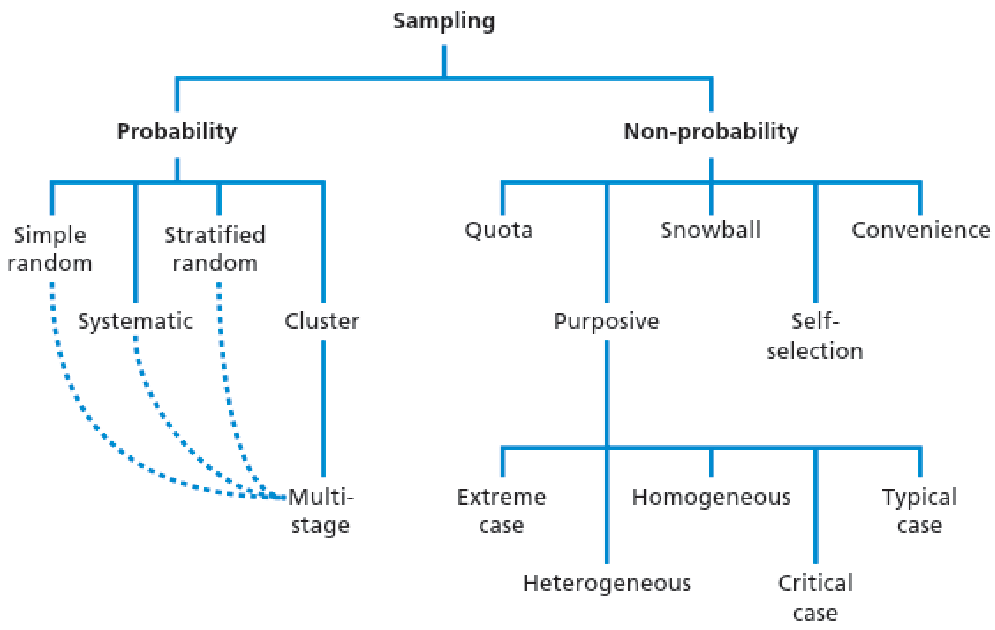

Figure 3.5: Sampling techniques
Source: Saunders (2009)

Probability sampling – The chance, or probability, of each case being selected from the population is known and is usually equal for all cases. Moreover, probability sampling is often associated with survey and experimental research strategies (Saunders, 2009).

Non-probability sampling - The probability of each case being selected from the total population is not known and it is impossible to answer research questions or to address objectives that require you to make statistical inferences about the characteristics of the population (Saunders, 2009).

In this study, the entire population consists of managers within grade 9 construction firms involved in the strategic decision-making process. In many firms, strategic decisions are made by a team of managers and therefore any of those managers were eligible to form part of the population in this study. A full list of grade 9 contractors, all registered with the CIDB was obtained from the CIDB website and the list contained 140 firms, with an active status. However, the full list of 140 firms contained multiple registrations for a single firm, and once the duplications were filtered out, the list remained with 72 firms. The remaining 72 firms on the list were fairly represented across seven of the nine provinces in South Africa, namely Eastern Cape, Free State, Gauteng, Mpumalanga, Kwa-Zulu Natal, Limpopo, and Western Cape, however the fact that they do not cover all nine provinces presented a limitation to the study. The contact details for each of the listed firms were obtained from their websites and all possible cases were considered in this study.

The firms were spread throughout the country as follows: 1 Eastern Cape, 3 Free State, 53 Gauteng, 6 Kwa-Zulu Natal, 1 Limpopo, 1 Mpumalanga and 7 Western Cape. Since this was a manageable size, the entire population was considered in the study. All 72 firms were contacted and from this total 22 of the calls made to the firms were unsuccessful with the reasons being one of two, (1) either the numbers were engaged and there were no alternative contact details or (2) the researcher was unable to access the necessary individuals after repeated attempts to do so. In addition, the responsible managers in 9 of the remaining 50 firms refused to participate in the study since they did not have sufficient time to spare. Therefore, managers within the remaining 41 firms were willing to participate thus the questionnaires were sent out accordingly, and from those questionnaires 13 positive responses were received, therefore resulting in a response rate of 32% (see figure 3.6).

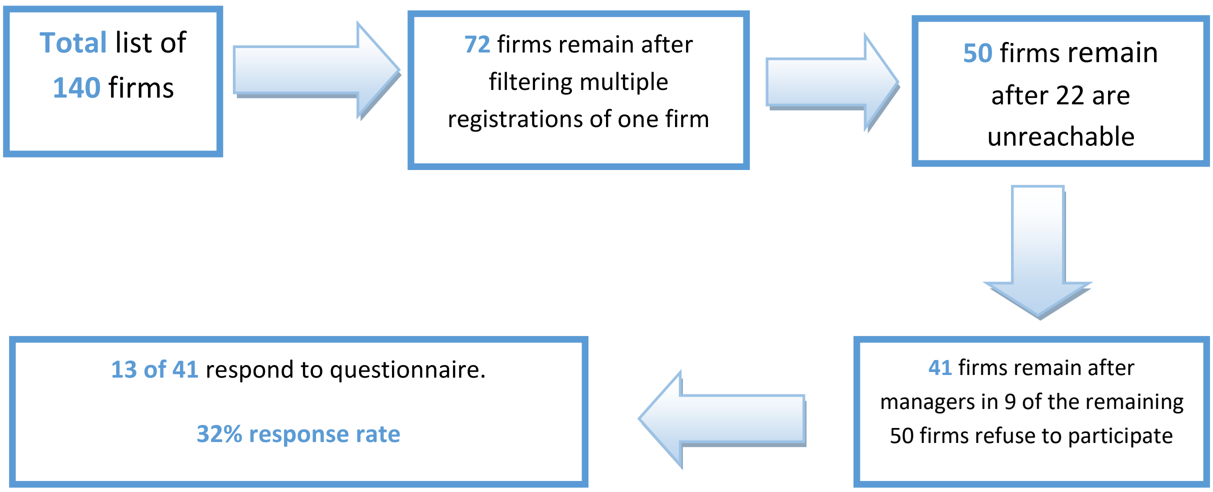

Figure 3.6: Illustration of response rate
Source: Author

3.9. Research procedure

Before sending out the questionnaire, pre-testing of the questionnaire was done informally with colleagues and supervisor in order to ensure that the questionnaire is clear enough. When administering the questionnaire, each firm was contacted telephonically, usually getting through to the receptionist/Personal Assistants first, unless a direct line was available. Once initial contact had been made with the receptionist/Personal Assistant, the individual would then transfer the call to the relevant manager, in most cases however, in a few cases the receptionists/Personal Assistants would provide the details of the relevant manager and request that the follow-on email should be sent to the individual accordingly, and in such cases direct contact was not made with the relevant manager. Once contact had been made with the relevant manager, the purpose of the study would then be explained to them and consent to continue with the study requested. The telephonic discussion would then be followed by a formal email containing the formal invitation to participate, consent form and questionnaire. A follow up email was sent to non-responsive participants at minimum a week after the initial email had been sent. The responses were then recorded as received from the participants.

Table 3. 1: Research procedure

Action	Description	Duration
Data collection	During this period, initial contact was made with all potential participants telephonically, and this was followed-up by an email with the formal letter of invitation to participate, consent form and questionnaire (email was sent only to those who agreed telephonically that they were willing to participate). This was done over 3 months.	3 months
Reminders	Respondents were give two weeks to send back email response, following which a first reminder was sent and if there was still no reply, a second reminder was sent a week later. This was done at the same time as the data collection period above.	3 months

3.10. Reliability and validity

Reliability

Reliable research is designed in such a way that it auditable, transparent, and clear such that the reader can either undertake the same method themselves and produce the same results (Greener, 2008). Easterby-Smith et al. (2008) added that to test the reliability of the research the researcher should ask the following questions:

- Will the measures yield the same results on other occasions?
- Will similar observations be reached by other observers?
- Is there transparency in how sense was made from the raw data?

Moreover, Robson (2002) indicated that there are four threats to reliability:

Subject or participant error – This refers to the error that could occur because of the timing of when the participants are requested to complete the questionnaire and if different times could affect the way they answer the questionnaire.

Subject or participant bias – This refers to the threat that participants would not be honest in their answers and would instead say what they are expected to say by their superiors.

Observer error – This refers to an error by the researcher when soliciting information from participants.

Observer bias – This relates to the researcher's own bias is that could affect the interpretation of the feedback from the respondents.

The questionnaire was structured in such a way that it will be able to yield the same results if conducted by someone else, and in the below chapters 5 & 6 there is transparency in the way in which conclusions were drawn from the raw data.

To avoid subject or participant error, once the participants agreed to take part in the study, the questionnaire was sent to them electronically and they were given up to two weeks to complete the questionnaire. Thus, the participants could answer the questionnaire when they had time and were not under any form of pressure that could have affected the reliability of their responses. Furthermore, the researcher made it very clear both telephonically and in the consent form that the answers they give would be kept strictly anonymous, thus avoiding the possibility of subject or participant bias.

Furthermore, to avoid the observer error there was a structured approach to each potential participant in that the telephone call made were all in a similar manner where the researcher introduced himself, explained where they were calling from, the reason for the call, a brief description of the study and then asked if the potential participant was willing to take part in the study. This approach was used with all the potential participants and then the phone call was then followed up with an email containing the formal invitation letter, consent form and questionnaire. Lastly, since there is no conflict of interest and the researcher works in the engineering consulting industry as opposed to the contracting side of the industry, the general bias from the researcher was invalid.

3.11. Ethical consideration

Ethics in research is a very important topic of which due care and due processes should be considered. Saunders (2009) explains that the general ethical issue is that the research design should not subject those you are researching (the research population) to embarrassment, harm, or any other material disadvantage.

Ethics approval (appendix 2) was obtained prior to commencing with the study, all participants were asked for consent to participate in the study telephonically during the initial contact (verbally) and again when the questionnaire was sent electronically (see appendix 1). This was done to avoid the ethical dilemma that could arise if the subject (the population) is unaware that they are the subject of research and have not consented. While administering the research, some participants declined to take part because of some of the reasons stated above i.e. they are too busy and thus will not have sufficient time to respond to the questionnaire etc.

The consent form (appendix 3) covered the following ethical considerations:

1. To ensure that the participant has read and understands the content of the cover letter which outlined the scope and benefits of the study and gave details of the researcher, supervisor, and questionnaire. Moreover, it gave the participants the assurance that their identity and that of their firm would be kept anonymous.

2. They have been made aware of the purpose of the study, of which was done both telephonically and in the cover letter.

3. That their participation is voluntary and that they have the right to withdraw at any time.

4. That they understand that their participation will be kept anonymous and confidential.

5. That they willingly agree to take part in the study.

In addition, conflict of interest was one of the key ethical matters considered in the proposal stage of the study. There was no conflict of interest between that researcher and subject/s of the study. Therefore, the study was conducted ethically; respecting the respondents' information by keeping the feedback anonymous and ensuring that there is no conflict of interest with the researcher or the participants.

3.12. Synthesis and conclusion

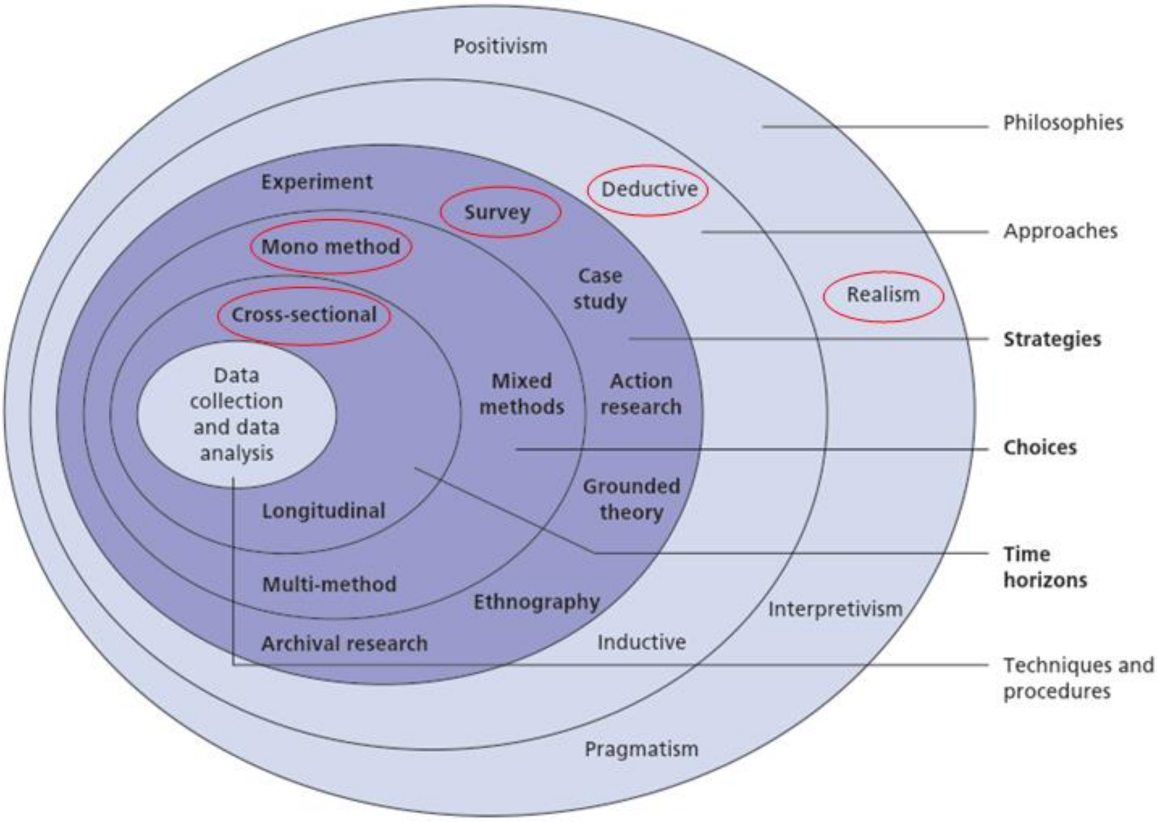

Figure 3.7: Research onion applied
Source: Saunders (2009)

Saunders (2009) explains that at the data collection and analysis technique is at the centre of the research, however aspects such as the research philosophy, approach, strategy, choice, and time horizon should be thought through first before deciding on the data collection technique is required to answer the research question/s and meet the objective/s.

With reference to figure 3.7, this study has been conducted using a realist philosophical approach, deductive research approach, survey research strategy, mono method choice, cross sectional time horizon and a qualitative data collection and analysis techniques.

In conclusion, figure 3.7 clearly indicates that the research was well thought through and details on the research procedure undertook were clearly explained, thus both ensuring that the data collected can be accepted as being valid and reliable. Lastly, ethics is an important element of any study and it has been demonstrated that due care was taken to ensure that the study was conducted in an ethical manner which protects both the anonymity and confidentiality of the information provided by the participants.

CHAPTER 4

RESULTS AND ANALYSIS

The purpose of this section is to present the results and analyse them accordingly. The results and analysis have been presented in the same order as the questionnaire (in line with the objectives of the report).

4.1 Introduction

The questionnaire was laid out in line with the objectives of the study, thus both the results and analysis of the data have been presented in the same order. Therefore, the raw data collected was in line with the objectives of the study. The objectives of the study were to determine the general profile of managers in South Africa's grade 9 construction firms involved with the entry mode strategy decision, to determine which entry mode strategy is most preferred by managers in South Africa's grade 9 construction firms, and to determine the influence of strategic international risk variables on their preferred entry mode strategy.

In this section, the results of the raw data have been presented in three sub-sections and the analysis has also been presented accordingly. The raw data was analysed using the qualitative content analysis method wherein the raw data collected was organized into sets of data, following which various themes that emerged were constructed and discussed in the following section (chapter 5).

4.2 Results

4.2.1 Results of general profile of managers

The general section of the questionnaire was intended to gain a better understanding of the participants taking part in the study. The first section of the questionnaire separated the firms into two categories; those which have ventured into other construction markets on the African continent and the ones which have not ventured into other construction markets on the African continent. A summary of the responses is presented in Table 4.1:

Table 4.1: Summary of responses

Respon-dent	Role in firm	No. of years in position (years)	African country	If not in Africa, why not	If not, when (yrs)
Respondent 1	Business development	6-10 yrs	Namibia	Even with a venture like Namibia there are a number of risks. We have also attempted Zambia and Zimbabwe but with poor corporate governance it is rather impossible to secure work.	1 yr
Respondent 2	Quantity surveyor	6-10 yrs	NA	Mostly dealing with the unknown. You commit on a program but do not know with what skill set you are working with as well as quality of material. A major reason is also logistics	NA
Respondent 3	Commercial manager	Over 15 yrs	Namibia Botswana Zambia Mozambique DRC Lesotho Swaziland	NA	1 yr
Respondent 4	Estimator/Contract manager	6-10 yrs	NA	We have tendered but have not been successful recently	1 yr
Respondent 5	Operations/Commercial Manager	Over 15 yrs	We have visited Zimbabwe, Botswana, and Namibia over the past 24 months to assess opportunities	Not easy to do business. Corruption, bribery, and Red tape. Also risk of not being paid by employer due to lack of funds and weak currency.	2-3 yrs
Respondent 6	Marketing Manager	0-5 yrs	NA	There was sufficient business opportunities in SA until recently. The company decided to expand its footprint to	2-3 yrs

Respon-dent	Role in firm	No. of years in position (years)	African country	If not in Africa, why not	If not, when (yrs)
				cross-border in 2016.	
Respondent 7	Managing Director	Over 15 yrs	NA	Capital required Perception about corruption Horror stories from other companies Unknown legal and labour environments	2-3 yrs
Respondent 8	Business unit manager (East Africa)/Director (Uganda)	0-5 yrs	Mozambique Zimbabwe Uganda Kenya Nigeria	NA	2-3 yrs
Respondent 9	Business development manager	0-5 yrs	Nigeria Mozambique Ghana	NA	2-3 yrs
Respondent 10	Senior Estimator	0-5 yrs	NA	Too many risks/unknowns Prefer to keep sites close/controlled Withholding tax	NA
Respondent 11	Procurement Director	Over 15 yrs	Botswana Mozambique Ghana Zambia Guinea Sierra Leone Namibia	Lack of possibilities for projects Some areas very competitive Corruption	1 yr
Respondent 12	Contracts Manager	0-5 yrs	NA	Not familiar with cross-border requirements to each country	NA
Respondent 13	Senior Project Manager	Over 15 yrs	NA	We have tried and tendered on a number of projects but never been successful	1 yr

Participants that took part in this study perform a variety of roles within their firms, as can be seen in Table 4.1. Furthermore, 5 (38%) of the respondents were in their roles for 0-5 years, 3 (23%) for 6-10 years and the remaining 5 (38%) for over 15 years.

The focus of the first section of the questionnaire was to develop a profile of participants who were key in the strategic decision-making process when theirs firms ventured into other construction markets on the African continent. However, it was observed that not all the respondents' firms had ventured into other African construction markets and the questionnaire made provision for these respondents in order to ascertain the reasons why their firms have not ventured into other African construction markets.

The feedback received indicated that 7 (62%) of participants indicated that their firms had not ventured into other construction markets on the African continent, and 62% is a relatively high percentage to simply ignore the reasons why they have not done so. Therefore, the reasons provided by participants were as follows; the discomfort of dealing with the unknown, committing to a program without fully knowing the skill set of the labourers in the foreign country, challenges with logistics, a tough business environment, dealing with corruption, bribery and red tape, risk of not being paid by employer, high capital investments required, hearing from other firms which have tried to enter various African construction makes and have failed, firms preferring to rather keep their sites to a specific geographical location, tax considerations, working in an African country with a weaker currency, and unsuccessful bidding. It can be summarised that the reasons repeated by participants included the many risks associated with the unknown, perceptions of the presence of corruption and unsuccessful bidding.

Since these respondents had not ventured into other construction markets on the African continent they were asked whether or not they intend to venture into other construction markets on the African continent and if so, when (in terms of number of years) they intend to do so. Thus, 4 of the respondents whom had not yet ventured into the markets indicated that their firms were indeed intending to venture into other construction markets on the African continent within the next three (3) years.

4.2.2 Results of preferred entry mode strategy

The second section of the questionnaire was designed to identify the preferred entry mode strategy by managers within grade 9 construction firms, which is aligned to the first objective of this study.

Since strategy is a central theme in this study respondents were asked for their definition of strategy to understand and contrast their definition with that of scholars on this topic. The respondents who have ventured into other construction markets defined strategy as follows:

- A goal/s set for the future, and the strategy defines the process required to achieve that gaol/s.

- Putting methods and plans in place to secure work and introduce the firm to new markets.
- A plan to achieve a specific goal either medium or long term. In this case, to enter new profitable markets in Africa.
- An approach that is to be followed, for a particular scenario, to achieve a certain objective within a certain timeframe.
- A plan of action to achieve a specific aim.

The following Table 4.2 indicates the preferred entry mode choice and the reasons for selecting the preferred entry mode strategy:

Table 4. 2: Preferred entry mode strategy by South Africa's grade 9 contractors

Respondent	African country	Entry mode strategy	Reason for choosing Entry mode
Respondent 1	Namibia	Strategic Alliance Merges & Acquisitions	Respondent no.1 used both strategic alliances as well as merges & acquisitions to comply with local requirements in Namibia where they could tender successfully and secure work.
Respondent 2	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa
Respondent 3	Namibia Botswana **Zambia** Mozambique DRC Lesotho Swaziland	Indirect	Respondent no. 2 used the indirect strategy because certain countries demand local representation and content, and further stated that the importing of goods was easier with less risk to their firm.
Respondent 4	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa

Respondent	African country	Entry mode strategy	Reason for choosing Entry mode
Respondent 5	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa
Respondent 6	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa
Respondent 7	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa
Respondent 8	Mozambique Zimbabwe **Uganda** Kenya Nigeria	Wholly owned subsidiary	Respondent no. 3 used the wholly owned subsidiary strategy because they firstly we wanted to maintain the firm's independence and to be in full control of the operations. Moreover, that they wanted the firm to be an extension of the current business and to maintain the brand name. the second reason was to reduce the financial risk on the "holding" company.
Respondent 9	Nigeria Mozambique **Ghana**	Strategic Alliance or Corporative	Respondent no. 4 used the strategic alliance strategy because it was the only entry mode strategy applicable at the time of entry. Secondly, it was less risky for their firm and lastly, they entered the market because they identified and opportunity and took advantage of it.
Respondent 10	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa

Respondent	African country	Entry mode strategy	Reason for choosing Entry mode
Respondent 11	Botswana Mozambique **Ghana** Zambia Guinea Sierra Leone Namibia	Contracts	Respondent no. 5 used the contracts strategy because it presented a low risk for non-payment.
Respondent 12	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa
Respondent 13	Not yet ventured into Africa	Not yet ventured into Africa	Not yet ventured into Africa

4.2.3 Results of the influence of strategic international risk

The last section of the questionnaire was designed to identify the influence of strategic international risk variables on the preferred entry mode strategy by managers within grade 9 construction firms, which aligns with the second objective of this study.

In addition to the previous section on strategy, risk is another central concept in this study and in order understand how respondents define risk, they were asked for their definition accordingly. Respondents who had ventured into other construction markets defined risk as follows:

- Variables that will ultimately influence profit on a project
- Changes to law, local social interest, exchange rate exposure, accessibility to sites, corruption
- Exposure to uncertain/new conditions that could cause loss if not controlled
- The potential of not achieving the desired results because of several factors e.g. Financial security, experience etc.
- The possibility of events that could harm the business happening

Respondents were asked to rate the level of influence of the various strategic international risk variables on their preferred entry mode choice. Table 4.2 summarises their responses:

Table 4. 3: Influence of strategic international risk variables on the preferred entry mode strategy

Scoring:

1–No influence 2–Low influence 3–Moderate influence 4–Major influence

Respondent	Risk type											
	Control Risks			Market complexity / Resource commitment risks								Dissemination risk
	Management experience	Cultural differences	Industry structure	Political risks	Transfer risks	Operation risks	Ownership risks	Marketing infrastructure risks	Customers' taste	Competitive rivalry	Market demand / Potential	Dissemination risk
1	4	4	4	4	4	4	4	4	4	4	4	4
2	1	3	3	3	2	2	1	2	4	4	4	3
3	4	3	2	4	4	4	4	1	2	3	3	3
4	3	1	3	2	2	2	2	1	3	3	4	3
5	4	3	3	4	3	3	4	2	2	3	3	3
Total:	**16**	**14**	**15**	**17**	**15**	**15**	**15**	**10**	**15**	**17**	**18**	**16**

4.3 Analysis

The raw data was analysed using the qualitative content analysis method, and the analysis procedure followed can be illustrated as follows:

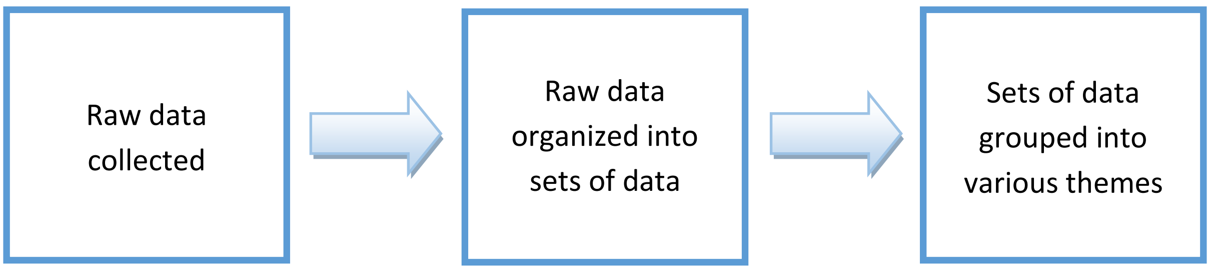

Figure 4.1: Data analysis procedure
Source: Author

4.3.1 Analysis of general profile of managers

The themes that emerges from the data presented in Table 4.1, are as follows:

- A specific manager does not exclusively make the entry mode strategic decision, but rather that there is a wide range of managers that make this decision on behalf of their firms i.e. from business development managers to senior quantity surveyors.
- Only 38% of South Africa's grade 9 construction firms have ventured into other construction markets on the African continent and thus many firms have not yet gained access to the African construction market.
- Managers involved with the entry mode strategy decision have been in their current position from 0-10 years and thus have moderate experience in their role.
- Firms that have not yet ventured into other construction markets on the African continent are planning to enter the market within the next three years. Moreover, the reasons for not doing so can be summarised as the fear of the unknown, perception of the presence of corruption and unsuccessful bidding.
- Internal factors preventing South Africa's grade 9 contractors from venturing into other construction markets can be summarised as capital requirements and firms wanting to keep their sites nearby to have better control.

4.3.2 Analysis of preferred entry mode strategy

Definition of strategy

The various themes that emerged from the respondents' definition of strategy were as follows:

- Managers within grade 9 construction firms in South Africa understand strategy differently and that there are various interpretations of strategy.
- The similarities between the various definitions of strategy are that they all refer to some form of process, method, or approach to achieve a specific goal.
- The definition of strategy is fluid and it varies slightly dependent on the context in which it is being applied.

Preferred entry mode strategy

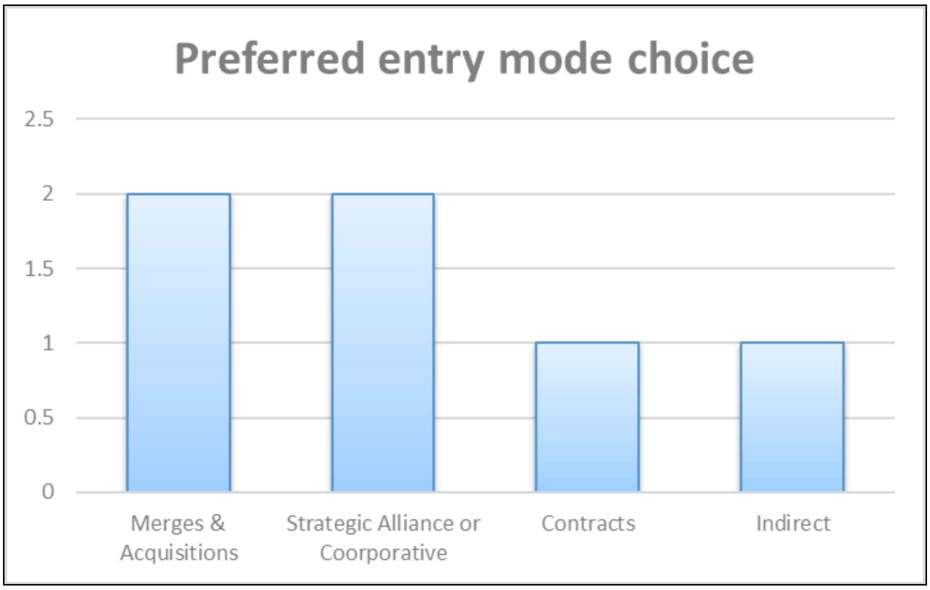

Figure 4.2: Preferred entry mode choice
Source: Author

Therefore, the various themes that emerged from the sets of data above as well as from the reasons provided by respondents for selecting their respective entry mode strategy, were as follows:

- Wholly owned subsidiaries and strategic alliances seem to be the preferred modes of entry for managers in South Africa's grade 9 construction firms. Furthermore, this indicates that equity modes of entry are preferred over non-equity modes of entry. While on the opposite side contracts and indirect entry modes of entry were the least preferred modes of entry.
- There are other variables that should also be considered when selecting an entry mode strategy i.e. opportunities available within the host country, conformance with the host country's requirements etc.

4.3.3 Analysis of the influence of strategic international risks

Definition of risk:

The various themes that emerged from the respondents' definition of risk were as follows:

- There is a lack of differentiation between the definition of risk and examples of risks.

- The definition of risk has not been clearly defined by managers in grade 9 construction firms.

Influence of strategic risk variables:

The respondents were asked to rate the level of influence of the various strategic international risk variables on the preferred entry mode choice. In order to rank the influence of the various risks, the sum total of the weighting of each risk as indicated by the respondents was used. The risk group represents the main groupings of international strategic risks and the risk type represent the sub-categories of risks within the main risk groups. Thus, the results were ranked as follows:

Table 4. 4: Ranking of the strategic international risk variables on the preferred entry mode strategy

Ranking	Risk type	Sum Total	Risk group
1	Market demand / Potential	18	Market complexity / Resource commitment risks
2	Political risks	17	Market complexity / Resource commitment risks
3	Competitive rivalry	17	Market complexity / Resource commitment risks
4	Management experience	16	Control Risks
5	Dissemination risk	16	Dissemination risk
6	Customers' taste	15	Market complexity / Resource commitment risks
7	Ownership risks	15	Market complexity / Resource commitment risks
8	Operation risks	15	Market complexity / Resource commitment risks
9	Transfer risks	15	Market complexity / Resource commitment risks
10	Industry structure	15	Control Risks
11	Cultural differences	14	Control Risks
12	Marketing infrastructure risks	10	Market complexity / Resource commitment risks

Therefore, the themes that emerge from the above set of data are as follows:

- The top three risks that have the most influence on entry mode choice are market demand/potential, political risks, and competitive rivalry; with market demand/potential having the most influence.

- The lack of marketing infrastructure in host countries has a low influence on entry mode choice.

- The conditions i.e. market demand, political environment, and competition within a host (African) country has a major influence on the type of entry mode strategy selected. This can further be interpreted as external/environmental considerations having more of an influence on entry mode choice than internal/firm specific considerations.

CHAPTER 5

DISCUSSIONS

This section contains an overall discussion based on the themes that emerged through the qualitative content analysis in chapter 4. The findings on the general profile of managers, preferred entry mode strategy and the influence of strategic international risk variables will be discussed and then briefly summarised.

5.1. General profile of managers

The findings indicate that a diverse range of managers who perform a variety of roles are involved with the strategic decision-making process i.e. from Senior Quantity Surveyors to Managing Directors. Previous studies did not discuss the profiles of the respondents, and thus the findings of this study add value to entry mode research. In addition, 62% of the respondents indicated that they have been in their role for longer than 6 years. This is an indication that the individuals involved in the strategic decision-making process are fairly experienced in their current role to make such strategic decisions. From the findings of this study, management experience was cited to be the fourth most influential strategic international risk variable to be considered when deciding on an entry mode strategy. This is in line with the experience levels of the respondents. In addition, this indicates that firms rely more on management experience rather than the role which the manager fulfils in the firm, when taking such strategic decisions.

The filter questions in the first section of the questionnaire sought to separate firms which have accessed other construction markets on the African continent and those firms which have not, this is a pertinent point because the assumptions of the study are that grade 9 construction firms in South Africa are more likely to venture into other construction markets on the African continent because of the push and pull effect in the African construction market and that they have sufficient resources to do so. As such it would be expected that more than 38% of the respondents should have indicated that their firms have ventured into other construction markets on the African continent. Alternatively, this could also be an indication that there are other variables that influence the entry mode strategic decision more than the availability of resources. Feedback from those who have ventured into other markets will be discussed in the following sub-sections.

The reasons provided by the 62% of respondents that have not ventured into other markets were summarised as; the many risks associated with unknown labour laws and business environment, perceptions of the presence of corruption and unsuccessful bidding. Odediran

(2016) highlighted common words associated with risk as follows: hazards, perils, uncertainties, threats and vulnerabilities, dangers, and failures. The words associated with risk highlighted by Odediran (2016) summarise the fear of the unknown by the 62% of the respondents whose firms have not yet ventured into other construction markets. The second reason highlighted by the same respondents was the perception of the presence of corruption, Ulrich et al. (2014) highlighted that favourable government and economic policies are an important factor in entry mode choice. Thus, firms will be required to carefully consider the type of entry mode strategy they use to enter the African construction market. Teixeira and Grande (2012) indicated that a wholly owned subsidiary entry mode strategy was the preferred entry mode when there is a politically risky environment and the risk of doing business in the host country is high. A further study on the third reason of unsuccessful bidding as cited by the respondents should be undertaken because there could be several reasons why South African firm's bids are unsuccessful when tendering for work in other African countries. In addition, there were other reasons that suggested that despite the external factors preventing them from venturing into other construction markets on the African continent, there were also internal factors such as capital requirements and firms wanting to keep their sites nearby to have better control.

5.2. Preferred entry mode strategy

There are various angles through which one can define strategy. The results of this study support the observations made by previous scholars, as it can be seen in the varied responses received. However, even though there were variations, the definition for strategy from the respondents can be summarised as being a plan or method, a process, or an approach to achieve a specific goal or set of goals within a specific period.

The summarised definition of strategy from the results of this study supports other definitions presented by previous scholars such as Warszawski (1996) who proposed that strategies are long range plans, methods, and approaches that a company adopts to reach its goals in a competitive environment. The definition of strategy is also dependent upon the context in which it is applied, and apart from one, unfortunately the respondents did not contextualise their definition of strategy. Moreover, within the context of entry mode choice, strategy can be defined as a plan of action to enter new profitable markets in Africa to achieve short and long-term goals, which is a well-rounded definition of strategy within the context.

The respondents rightfully defined strategy as a plan or approach or process to be followed to achieve a certain objective or goal within a certain timeframe.

In relation to entry mode strategy, the findings of the study indicated that equity entry mode strategies are preferred over non-equity modes of entry.

The reasons for selecting strategic alliances provided by the respondents were (1) to comply with local requirements (2) less risky for their firm, and (3) it was the only entry mode strategy available for the firm at that particular time when the opportunity was available. Teixeira and Grande (2012), Ulrich et al. (2014), and Hollensen et al. (2011) highlighted that strategic alliances or cooperatives are preferred entry mode strategies when; (1) there is considerable socio-cultural differences between home and host countries, (2) there is an attractive market, (3) there ispoor protection of Intellectual Property Rights (IPR), (3) high linguistic distance, (4) there are high Research & Development (R&D) industries, (5) the firm would like to gain access to location-specific complimentary assets, (6) perceptions of high government intervention, (7) the firm require a high level of control and resource commitment, and (8) managers and personnel have the relevant international experience. The 8 preference conditions highlighted by Teixeira and Grande (2012), Ulrich et al. (2014), and Hollensen et al. (2011) range wide, and still none of them relate directly to the reasons provided by the respondents. In addition to Table 2.4, the availability of an opportunity in a host country may restrict a firm to a particular entry mode strategy, as seen with respondent no. 4 in Table 4.1 who stated that they used the strategic alliance entry mode strategy because it was the only strategy available at the time. the restrictions may come in the form of laws and regulations in the host country, partnership agreements or the nature of the project, and in such cases the preference conditions have a lesser influence on the entry mode choice. Moreover, the findings of the study revealed that firms are not limited to a single mode of entry into a foreign market as indicated by respondent no.1 who used both a wholly owned subsidiary and strategic alliance entry mode strategies to enter the African construction market.

Wholly owned subsidiaries were also highly preferred by the respondents, and the reasons were (1) to comply with local requirements, (2) to maintain the firm’s independence and to be in full control of the operations, (3) for the firm to be an extension of their current business to maintain the brand name, and (4) to reduce the financial risk on the "holding" company. Teixeira and Grande (2012), Ulrich et al. (2014), and Hollensen et al. (2011) highlighted that the wholly owned subsidiary is the preferred entry mode strategy when; (1) there are high potential industries and the markets are highly competitive, (2) the market is attractive, (3) politically risky environment, (4) the risk of doing business in the host country is high, (5) there is poor protection of Intellectual Property Rights (IPR), (6) there is high uncertainty (institutional differences), (7) the firm requires a high level of control with a high level of resource commitment, (8) relevant international experience of managers and personnel, (9) high control of operations in foreign market required. The respondents considered high levels of control and the protection of their brand as some of the considerations when selecting a wholly owned entry mode strategy, this supports the considerations outlined by Teixeira and Grande (2012), Ulrich et al. (2014), and Hollensen et al. (2011).

On the opposite side, contracts and indirect entry mode strategies were the least preferred entry mode strategies by the respondents, and the reasons provided for selecting these entry modes were; (1) low risk, (2) the host country demanded local representation and content, and (3) easy importation of goods with less risk. Teixeira and Grande (2012), Ulrich et al. (2014), and Hollensen et al. (2011) highlight that non-equity entry modes are preferred entry mode strategies when; (1) in the presence of arbitrary and pervasive corruption, (2) weak International Property Rights (IPR) policies, (3) there are high tariffs, (4) there are market imperfections, (5) low control with a low level of resource commitment required. The reasons presented by the respondents support the reasons presented by previous scholars in that non-equity modes of entry are preferred in high risk environments.

Compliance with the requirements of the host country was one variable that was present throughout, in both equity and non-equity modes of entry. In conclusion, from the responses received, the preferred entry mode strategies are equity modes of entry, both mergers & acquisitions and strategic alliances.

5.3. Influence of strategic risk variables

Risk is another key theme in this study and thus defining risk is important for this study. Odediran (2016) associated risk with the following words; hazards, perils, uncertainties, threats and vulnerabilities, dangers, and failures thus one would expect to see these words in the respondents' definition of risk. However, only one respondent used the word uncertainty in their definition of risk and the remainder defined risk by referring to examples of risks. It is clear from the definitions of risk provided by the respondents that managers do not have a clear understanding of risk because their definitions are limited to specific examples of risk. If managers have restricted their definition of risk to specific examples i.e. changes to law, local social interest, exchange rate exposure, accessibility to sites, corruption etc. managers cannot identify other potential risks which have the potential to cause harm, potential hazards, or danger.

Ahmed et al. (2002) defined risk as being twofold (1) the uncertainty associated with exposure to a loss caused by some unpredictable event, and (2) variability in the possible outcomes of an event based on chance. The respondents' definition of risk was vastly different, they defined risk as variables that will ultimately influence profit, changes to law, local social interest, exchange exposure, accessibility to sites, corruption and the potential of not achieving desired results all of which are situations or uncertainties that could expose their firms to danger or loss as per Ahmed et al. (2002), but they are not defining risk per se. Jackson & Musselman (1987) further added that the degree of risk depends on how accurately the results of a change event can be predicted; the more accurate the prediction, the lower the degree of risk of which aligns with definition of risk as a probabilistic function that combines the likelihood of encountering a risk and its degree of impact by Odediran (2016).

Therefore, based on the respondents' definitions of risk it can be concluded that the respondents have limited their understanding of risk to specific events instead of broadening their understanding of risk as being any event that has the potential to expose their firm to threats and vulnerabilities, danger, harm, or perils. This is a significant finding because if managers limit their understanding of risk to specific events, then there is a chance that they would overlook other events which could leave their firm exposed. Nonetheless, two respondents defined risk as exposure to uncertain/new conditions that could cause loss if not controlled and the possibility of events that could harm the business.

Moreover, the top three risks indicated by respondents as having the most influence on their selection of entry mode strategy were; market demand/potential, political risk, and competitive rivalry of which all three are market complexity risks. Therefore, this means that the decision on the type of strategy selected by manager largely depends on the conditions within the host country i.e. market demand, political environment, and competition. In addition, the top three most influential risks refer to external risks, and concerning market demand/potential Ulrich et al. (2014) stated that countries with high demand fluctuations create high risk environments and further added that in markets with a high potential for growth, managers would favour more high investment modes of entry. Hence, it can be seen from the results that demand fluctuations and market potential have a major influence on entry mode choice and on the contrary, it was also found that the lack of marketing infrastructure within the African construction market has the least influence on the entry mode choice.

With market potential being the highest risk, Teixeira et al. (2012) added that in markets with high potential, firms would prefer wholly-owned subsidiaries and joint-ventures (equity type of entry modes). This statement is supported by the results of the preferred entry mode strategy being equity modes of entry, both wholly owned subsidiaries and strategic alliances.

Political risk and competitive rivalry were ranked the second highest most influential strategic international risk variables. The literature review clearly revealed that favourable government and economic policies are a crucial factor in entry mode choice. Teixeira et al. (2012) stated that in markets with low political and economic risks firms would prefer wholly-owned (equity-based) entry mode strategies, and further added that firms would prefer wholly-owned subsidiaries in highly competitive markets. In contrast, Ulrich et al. (2014) argued that in highly competitive markets small firms would rather opt for low investment entry modes because of the low levels of control in such markets. Nonetheless, respondents felt competitive rivalry is an important consideration regarding entry mode choice.

5.4. Summary of discussions

The research problem which this study sought to address was the challenge faced by managers with regards to making an informed decision on the type of entry mode strategy to be employed when venturing into other construction markets on the African continent and the influence of strategic international risks thereof. Without a clear understanding of strategy and risk, and without knowing the various entry mode strategies available and the factors to be considered, managers will unfortunately make uninformed strategic decisions. Therefore, managers should ensure that they use the tools available to ensure that they are well informed on entry mode strategies for them to make an informed decision.

By having the right definition of strategy as well as knowing and understanding that various entry mode strategies will assist managers in making an informed strategic decision. Nonetheless, the results of the study indicate that equity entry mode strategies are preferred over non-equity modes of entry by managers within South Africa's grade 9 construction firms, when venturing into other construction markets on the African continent.

Together with strategy, risk is a key concept in this study and unfortunately grade 9 contractors' understanding of risk has proven to be limited to events or situations, which therefore means that managers could be exposed. Thus, with a clear definition of risk, managers can identify all possible threats, vulnerabilities, hazards, or dangers.

The top three strategic international risk variables are all external factors and this is an indication that managers within South Africa's grade 9 construction firms consider external factor as being more influential than internal factors when deciding on an entry mode strategy into other construction markets on the African continent. Therefore, managers should consider these strategic international risk variables, as they have shown to be the most influential factors considered by other managers who have accessed other construction markets on the African continent.

Based on the outcomes of the data collected, managers should also take cognisance of the internal and external factors presented by Ulrich et al. (2014) and consider the various entry mode strategies available as detailed in Table 2.1 (Foreign entry mode strategies) when deciding on a suitable entry mode strategy. In addition to the internal, external, and strategic international risk variables, the study acknowledges that there are other factors that may restrict potential entrants to specific entry mode strategies i.e. only one opportunity available and conditions/requirements in the host country.

CHAPTER 6

CONCLUSION

This section will provide a conclusion for the study by demonstrating how the aim and objectives of the study have been achieved, and thus how the questions presented in the study have been answered. In addition, this section will establish the practical and theoretical contributions of the study to entry mode research, highlight the limitations of the study, and finally provide recommendations for future similar studies.

6.1. Introduction

The aim of the study was to investigate the influence of strategic international risk variables on the preferred entry mode choice by managers in grade 9 construction firms, within the context of South Africa's construction industry. This was to address the challenge faced by managers in terms of making an informed strategic decision on entry mode choice.

The first objective was to determine the general profile of managers in South Africa's grade 9 construction firms involved with the entry mode strategy decision. The findings of the study were that managers from various disciplines are involved in the entry mode strategy decision. Moreover, these managers are fairly experienced in their roles, thus confirming previous studies indicating that management experience has a significant influence on the entry mode choice.

The second objective of the study was to determine which entry mode strategy is most preferred by managers in South Africa's grade 9 construction firms when venturing into other construction markets on the African continent. As part of the data collection, managers were asked to define strategy, in order to ascertain their understanding of strategy. The results of the study indicated that managers in South Africa's grade 9 construction firms define strategy as being a plan or method, a process, or an approach to achieve a specific goal or set of goals within a certain timeframe, and that the definition of strategy is dependent upon the context in which it is applied. From the results of this study, there was only one respondent who provided a context to their definition of strategy by defining strategy as a plan of action to enter new profitable markets in Africa to achieve short and long-term goals. Moreover, it was also revealed that managers prefer equity modes of entry namely; wholly owned subsidiaries and strategic alliances. Moreover, it was also revealed that firms are not restricted to one mode of entry and in addition, that the availability of an opportunity within a particular market may restrict firms to selecting a particular entry mode strategy, therefore foregoing other considerations such as the internal and external factors explained in the literature review.

The third objective of the study was to determine the influence of strategic international risk variables on the preferred entry mode strategy, by managers in South Africa's grade 9 construction firms. Like strategy, respondents were asked to define risk and the respondents' definition of risk were vastly different, they defined risk as variables that will ultimately influence profit, changes to law, local social interest, exchange exposure, accessibility to sites, corruption, and the potential of not achieving desired results all of which are situations or uncertainties that could expose their firms to danger or loss as per Ahmed et al. (2002), but they are not defining risk per se. Thus, it can be concluded that the respondents have limited their understanding of risk to be specific events instead of broadening their understanding of risk as being any event that has the potential to expose their firm to threats, vulnerabilities, danger, harm, or perils. Moreover, the study revealed that market demand/potential, political and competitive rivalry risks were considered to have had the most influence on the type of entry mode strategy selected, of which all three risk types are within the market complexity risk group.

In conclusion, managers within South Africa's grade 9 construction firms from various disciplines who are fairly senior in their roles are involved with the entry mode strategy decision. Moreover, the top three market complexity risks namely; market demand/potential, political risk and competitive rivalry have the most influence on entry mode decision, and the study also revealed that wholly owned subsidiaries and strategic alliances are the preferred entry mode strategies by managers within South Africa's grade 9 construction firms when venturing into other construction markets on the African continent. Therefore, the aim and all three objectives of the study have been realized thus answering the questions posed by this study.

6.2. Practical and theoretical contributions of study

6.2.1. Practical contributions of the study:

- The study provides managers within South Africa's construction industry with a set of tools which they can use as a list of factors to be considered when deciding to venture into other construction markets on the African continent. Even though the study focuses on grade 9 contractors, the tools are not specific to any grade and thus managers within any construction firm on any grade would be able to apply them.

- The study will assist managers within South Africa's construction industry who have not yet ventured into other construction markets on the African continent to see which entry mode strategies managers have selected in the past, understand the reasons why they have selected those particular entry mode strategies and ultimately draw lessons from their experiences.

6.2.2. Theoretical contributions of the study:

There are many similar studies on entry mode research, however the context of many of these studies was based on countries outside of the African continent either entering the African construction market or entering other markets outside of Africa. There are only a few studies that focus on the influence of risk on entry mode choice of construction firms. There are even less studies that focus on specifically the influence of strategic international risk variables on the preferred entry mode strategy by South Africa's construction firms when venturing into other construction markets on the African continent, and what makes this study unique is that it focuses on a grade of construction firms (grade 9). Thus, the study adds to the lack of research on the influence of strategic international risk variables on specifically South Africa's grade 9 construction firms venturing into other construction markets on the African continent. In addition, this study also provides a general profile of managers involved in the entry mode strategy decision which is an area where there is a lack of research.

6.3. Limitations

The final list of 72 grade 9 construction firms registered with the CIDB did not cover every province in South Africa. Therefore, the spread presented a limitation to the study since the only firms that could take part in the study was limited to 7 of the 9 provinces in South Africa. The CIDB list of grade 9 contractors covered the following provinces Eastern Cape, Free State, Gauteng, Mpumalanga, Kwa-Zulu Natal, Limpopo, and Western Cape, therefore by default this excluded the Northern Cape and the North-West province from the study. The limitation was further exacerbated by the number of positive responses to the questionnaire, which came out to represent Western Cape, Gauteng, and Free State. Nonetheless, the firms that took part in the study have operations in other provinces as well.

6.4. Recommendations for future studies

The study found that 62% of the firms who responded to the study indicated that their firms have not yet ventured into other construction markets on the African continent. Moreover, the respondents indicated that even though they had tendered for projects in other African counties, their bids were unsuccessful. Therefore, based on these findings, an opportunity for further study would be to investigate the reasons why South Africa's grade 9 contractors are unsuccessful when tendering for work in other African countries, since this was repeated several times by respondents. This can be done by investigating whether the problem is because there is too much competition from firms outside of the African continent i.e. China, USA, UK etc.; or whether South African firms find it difficult to comply with the tender requirements/processes in various African countries. Lastly, MacCallum, Widaman, Zang and Hong (1999). state that larger sample sizes increase the accuracy of the study in relation to the population, thus another recommendation for future studies would be for the same study to be undertaken with a larger sample size.

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Appendices:

Appendix 1 - Questionnaire

Appendix 2 – Ethics certificate

Appendix 3 – Consent form

APPENDIX 1 – QUESTIONNAIRE

APPENDIX 2 – ETHICS CERTIFICATE

APPENDIX 3 – CONSENT FORM